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who has little, let them have less' a new poem by Marge Piercy → page 55

# Analytical MONTHLY REVIEW



Vol. 11, No. 10

January 2014

₹30.00

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Hao Qi

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## Editorial

The mounting "political violence" in Bangladesh in recent months is reported in our mass media with slight and wearied attention, as if it were both irrelevant and remote. It is neither. Various suggestions are reported from different corners of the world urging arrangements for free and fair elections with the participation of all the major parties to "save democracy". But what is at issue is a matter of deeper change.

Indeed at first glance the leading political figures and parties appear to be caught in endless repeats of the political dramas of previous years. Now it is Sheik Hasina and the Awami League coalition in an understanding with General Ershad and his Jatiyo Party, with Sheik Zia and the BNP allied with the Jamaat and boycotting elections and attempting to create disruption in the streets. In February 1996 it was the Awami League boycotting the elections, in 2001 it was Ershad and the Jatiyo Party in alliance with Sheik Zia and the BNP. In 1990, the Jamaat joined the Awami League and the BNP in an urban uprising that toppled the Ershad regime. In 1991, BNP formed a government with the Jamaat's support but, by the mid-1990s, Jamaat had linked up with the Awami League to protest against the BNP government. In 2006 it was the Awami League calling its followers into the streets to prevent an election called by the BNP. Through it all, a narrow

*continued on inside back cover*





# The Plight of the U.S. Working Class

Fred Magdoff and John Bellamy Foster

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Modern capitalism, sociologist Max Weber famously observed early in the twentieth century, is based on “the rational capitalistic organization of (formally) free labor.” But the “rationality” of the system in this sphere, as Weber also acknowledged, was so restrictive as to be in reality “irrational.” Despite its *formal* freedom, labor under capitalism was *substantively* unfree.<sup>1</sup>

This was in accordance with the argument advanced in Karl Marx’s *Capital*. Since the vast majority of individuals in the capitalist system are divorced from the means of production they have no other way to survive but to sell their labor power to those who own these means, that is, the members of the capitalist class. The owner-capitalists are the legal recipients of all the value-added that is socially produced by the labor in their employ. Out of this the owners pay the wages of the workers, while retaining for themselves the residual or *surplus* value generated by the social process of production. This surplus then becomes the basis for the further accumulation of capital, leading to the augmentation of the means of production owned by the capitalist class. The result is a strong tendency to the polarization of income and wealth in society. The more the social productivity of labor grows the more it serves to promote the wealth and power of private capital, while at the same time increasing the relative poverty and economic dependency of the workers.

A crucial element in this process is what Marx called “the reserve army of labor” or “relative surplus population.” With the exception of extraordinary situations such as major wars that mobilize millions of people or epoch-making expansions resulting from special historical factors, the capitalist economic system does not produce enough jobs for everyone. Although there are certainly better times, during upturns, and worse times, during downturns, there are almost always large numbers of people who need jobs but who cannot easily find employment. Many of the jobs that are created pay low wages—below those necessary to afford basic needs like decent housing and a

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good diet.

The unemployed, the underemployed, and those with only tenuous holds on their jobs, constitute the reserve army of labor, necessary to the functioning of capitalism. The reserve army is created and maintained as a means to capital accumulation, which requires that a surplus labor force be constantly available to facilitate expansion and at the same time to hold down the wages of workers and to make them less recalcitrant.<sup>2</sup>

Workers in the reserve army are characterized by “extremely irregular employment.”<sup>3</sup> They are easily fired if the economy slows a bit, but ready for hiring when the economy picks up. This group of workers includes all those that have given up looking for jobs in weak labor markets, along with those working part-time but wanting full-time employment—on top of those officially designated as unemployed. It also includes the chronically impoverished.<sup>4</sup> It is the existence of this reserve army of “surplus” workers that makes it difficult for those in the active labor army to increase their wages or improve their working conditions without a united effort involving labor union struggles.

Marx defined the general condition of workers, particularly those in the reserve army, as one of *precariousness*. As he put it, “the higher the productivity of labour, the greater is the pressure of the workers on the means of employment, the more precarious therefore becomes the condition for their existence, namely sale of their own labour-power for the increase of alien wealth, or in other words the self-valorization of capital.” With the current mobility of capital and modern material handling and rapid shipping techniques, the reserve army available to capital in any one country has become truly global in scope.<sup>5</sup>

There have of course been periods of time when strong union movements or pro-labor political parties (especially in Europe) have allowed for improved working conditions and higher wages. Although capital gave nothing away without a struggle by workers, the Cold War added a new dimension. Governments in the wealthy countries at the center of the capitalist world economy that needed to ensure the support of their workers as part of a Cold War compact were a bit more likely to take labor’s wishes into account. This was later reversed. While there have been ups and downs since the late 1970s the conditions of labor have generally deteriorated over the period as a whole.

Workers in the United States are currently under extreme pressure—unlike any other period since the Great Depression of the 1930s. Conditions in today’s phase of monopoly-finance capital, dominated by neoliberal policy, are the culmination of a long process of lopsided class war—with capital continually gaining strength in its battle to limit and control labor. During this period, and especially since the beginning of the Great Recession, capital has



## REVIEW OF THE MONTH: THE PLIGHT OF THE U.S. WORKING CLASS

squeezed labor ever harder—doing more with less, as they say—in order to increase profits.

At the same time, the economy has been characterized by deepening stagnation—with real GDP growth declining from around 4 percent a year in the 1950s and '60s to around 3 percent a year in the 1970s–1990s to 1.8 percent a year for the last decade (2002–2012). Financialization, arising in response to deepening stagnation from the 1970s to the present, has served to preserve and promote wealth at the top and temporarily to lessen stagnation in the economy as a whole—but at the cost of even greater economic instability over the long run.

As economic growth has slowed so has net job creation—from a percent increase per annum in the 1970s and '80s to less than a percent per year for the last decade, 2002–2012 (and 1 percent a year for the two decades).<sup>6</sup> The economic trend toward greater stagnation in response to it—including the turn to finance, outsourcing, and increasing pressure on workers and their organizations—has only further undermine the overall condition of the U.S. working class.

### Open War on Labor

The decline in circumstances of workers has been long before the Great Recession—to the extent of labor militancy following the Second World War in 1946. Some 4.5 million workers were organized from Hawaiian sugar plantations to the railroad, steel, and coal industries. The Republican Congress with some support from Truman's veto, was a clear effort to undermine labor. It has been given a boost by the Supreme Court (1936), which restricted a national labor law from interfering with business operations.

Supreme Court) calling on corporations and their CEOs to organize a concerted attack on labor, the left academy, and the liberal media—and to use their financial leverage to dominate government. The memo, which came to light only after Powell's Supreme Court appointment, galvanized business and the wealthy, leading to what Jacob Hacker and Paul Pierson in *Winner Take-All Politics* described as a "domestic version of Shock and Awe." As Bill Moyers has written, "we look back on it now as a call to arms for class war waged from the top down." It inspired the establishment of the powerful Business Roundtable (which has only CEOs as members), the American Enterprise Exchange Council (ALEC), the Heritage Foundation, the CATO Institute, and Citizens for a Sound Economy (the forerunner of Americans for Prosperity). Within a decade the number of firms with lobbyists expanded. Corporate PACs quadrupled in number between 1976

and 1986. A influential figure in initiating the new corporate strategy in the 1970s was William E. Simon, Treasury Secretary under two Ford administrations and a former top executive of General Motors. His 1978 book, *A Time for Truth*, included a foreword by Friedrich von Hayek, and attacks on unions, environmentalists, and the left. The book argued that "collars were needed for conservative leadership." The New Deal. These attacks set the stage for the Reagan Revolution. In 1979, marked by the appointment of Paul Volcker to the Federal Reserve Board.<sup>9</sup>

the PATCO (air traffic controllers) strike, the prestige and power of the Supreme Court Board and court appointees were diminished. More liberal and less inclined to adopt conservative policies of the class war today include

employees.... The consequence of this legislative agenda is to undermine the ability of workers to earn middle-class wages and to enhance the power of employers in the labor market. These changes did not just happen but were the results of an intentional and persistent political campaign by business groups."<sup>11</sup>

Multibillionaire Warren Buffet, who is in a position to know a thing or two about what has been happening, declared in 2006: "There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning."<sup>12</sup> With unions crushed to the point that they now account for only 6.6 percent of private-sector employees, the lowest level in a century, the class war from above has shifted more and more to attacking state and local government workers, particularly teachers' unions, which are seen as standing in the way of the privatization of public education.<sup>13</sup>

This class war from above has taken on a toxic dimension in the form of an open attack on the officially designated "poor," now encompassing about 50 million people, according to official figures. There has long been a dimension of racism and blaming the poor for their condition, but it has now become a continuous refrain. After all, the argument goes, if they would only have done this, that, or the other thing—usually gotten more education, not had children, or not had children out of wedlock—then they would not be poor. It is their own fault, so why should society help them? In this distorted logic children are made to suffer for the alleged mistakes their parents made. Twenty-one Republican state governors have refused to accept the part of the Affordable Care Act that expands health-care access for the poor through extension of Medicaid. Since this starts out as fully funded by the federal government and then becomes 90 percent federally funded, the explanation for their actions seems to be something other than not wanting to spend money. As John Kasich, the Republican Governor of Ohio, who is implementing the enhanced Medicaid program, put it, "I'm concerned about the fact there seems to be a war on the poor. That, if you're poor, somehow you're shiftless and lazy."<sup>14</sup>

### International Agreements Against Labor

The various bilateral and multilateral trade agreements that are now in effect—such as NAFTA, CAFTA, and the WTO—did not spring up out of thin air in response to a new ruling-class ideology. Rather they are the result of a continuing process in which imperial capital has created a post-Second World War, post-colonial economic structure favorable to its interests. Designed to give maximum flexibility to capital, it has ensured a more docile workforce, rightfully afraid that jobs could be "offshored" to countries with lower wages and other costs of production. An earlier trend that happened within the United States, in which factories from the Northeast (textiles) and



Midwest (automobiles) moved to the South, now occurs on an international scale.

What is referred to in financial circles as “the global labor arbitrage,” or the increasing shift of multinational-corporate production to the global South in order to exploit workers with the lowest worldwide unit labor costs, was made possible through an international political process, spurred by U.S. imperialism, that opened up the periphery of the world system to unrestricted flows of global capital.<sup>15</sup> This meant a two-pronged attack on labor and its political power in both the global South and in the global North—of which the 1994 North American Free Trade Agreement (NAFTA) was to emerge as emblematic.

Writing in *Monthly Review* in 1998, Harry Magdoff described the developments as follows:

The road to NAFTA began early on in the postwar period. At a 1948 conference in Bogota, twenty American nations signed agreements to facilitate foreign investment. Bilateral Treaties of Friendship, Commerce, and Navigation, were negotiated with countries on other continents to pave the way for the unrestricted investment of U.S. capital. Enlargements of markets and private investment opportunities were key objectives of the World Bank and the IMF from day one. The IMF in particular assumed the robes of the colonial overseer, enforcing the rules of the game, including the discipline of austerity for the masses, in order to assure an uninterrupted flow of profits and debt service to the centers of the capitalist world. The difference between the so-called Keynesian period and today is that in earlier days there was a hush-hush aspect to the discipline imposed on the third world, whereas now neo-liberal principles are loudly proclaimed as the true faith.<sup>16</sup>

There were numerous indications of the decline of organized labor's fortunes and power relative to capital in the United States from the 1970s to the onset of the Great Recession in late 2007. For example, there was a decreased percentage of the workforce that was unionized, a decreased esteem in which union workers were viewed by many in society, and a lower frequency of major strikes (only a few per year compared to literally hundreds per year in the 1950–1980 period). There is no doubt that the increased surrender of workers in the face of the assault by capital was due to the fact that they were understandably concerned that the bosses would either hire replacement workers or close the facility and move the jobs to another location in the United States or to another country.

Given the pre-existing problems and negative trends for labor, the Great Recession (officially considered to have run from December 2007–June 2009) and the deep stagnation that followed have made the situation of

workers in the United States ever more precarious. As far as workers are concerned the Great Recession has turned into the Great Stagnation, the slowest “recovery” from a downturn in the post-Second World War era. Wages have stagnated, with the real median family income in 2012 below that of 1996, and the economy has yet to produce enough activity to regain all the jobs lost during the Recession.

The effects of the Great Recession and the Great Stagnation have thus only served to worsen the conditions associated with the loss of worker power under the prolonged attack on labor. There are a number of important trends occurring simultaneously in this respect—(1) the decline of employment, (2) erosion of health associated with job loss, (3) wage stagnation, (4) growth of the working poor, (5) increased exploitation of labor on the job, and (6) the drop in the labor share of income. It is important to discuss these separately, but also in relation to each other, in order to get a better grasp of the extent of the problems.

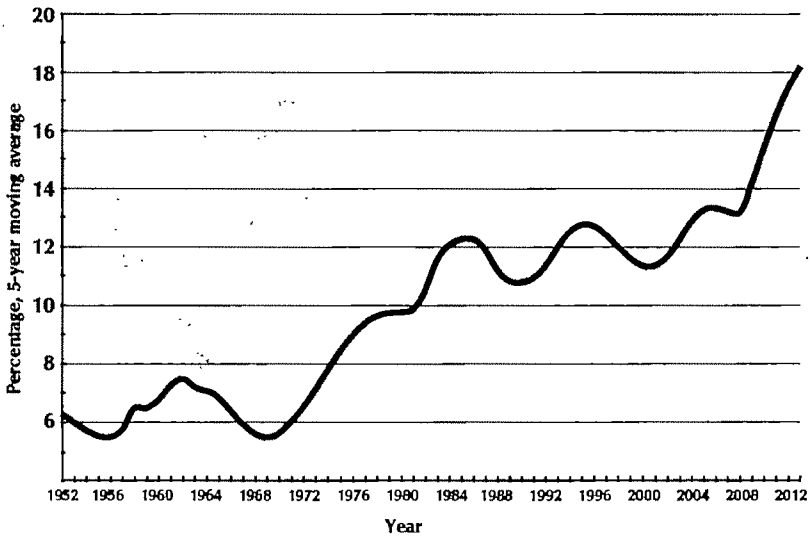
### The Decline of Employment

Workers do not need anyone to tell them that the general employment situation is bad. The overall condition is best depicted not in term of official unemployment data, where the unemployment rate is now hovering around 7 percent, but by looking at the numbers of those without jobs as a share of the civilian non-institutional population. This is sometimes known as the “jobless rate” or as the “non-employment rate” (not to be confused with the common reference to the unemployment rate in these terms, and hence here referred to as the “real jobless rate”). Some of those who are jobless may not want to work or may not be able to do so. There are those raising families on a spouse’s income or others who are students and some who are disabled—plus of course a very few who are independently wealthy. Nevertheless, long-term data on the real jobless rate allows one to capture more broadly the actual employment gap, as compared to more limited unemployment data (which excludes a wide variety of those without work).<sup>17</sup>

As shown in Chart 1 (using five-year moving averages) the percentage of the total male civilian non-institutional population, ages twenty-five to fifty-four—constituting prime working ages—lacking employment of any kind has trended upward from 5 percent in 1968 to 18 percent in 2013.

Although women’s labor force participation rose steadily over the last decades of the twentieth century, and hence the real jobless rate for women declined for decades, this trend has now reversed. For women ages twenty-five to fifty-four in the 1990–2013 period (shown with five-year moving averages) the real-jobless-rate trend takes the form of a sharp V-curve, dramatically reversing in the early 2000s, and increasing to over 30 percent in 2013. As compared to two decades ago many more of these jobless women are in a

Chart 1. Real Jobless Rate for Men Ages 25–54



Sources: U. S. Bureau of Labor Statistics (BLS), "Employment Level" and "Population Level," series LNU02000061 and LNU00000061, <http://data.bls.gov>.

Note: The real jobless rate is calculated as  $1 - \text{employed/civilian non institutional population for a given age group}$ . It is the inverse of what the BLS terms the "Employment-Population Ratio."

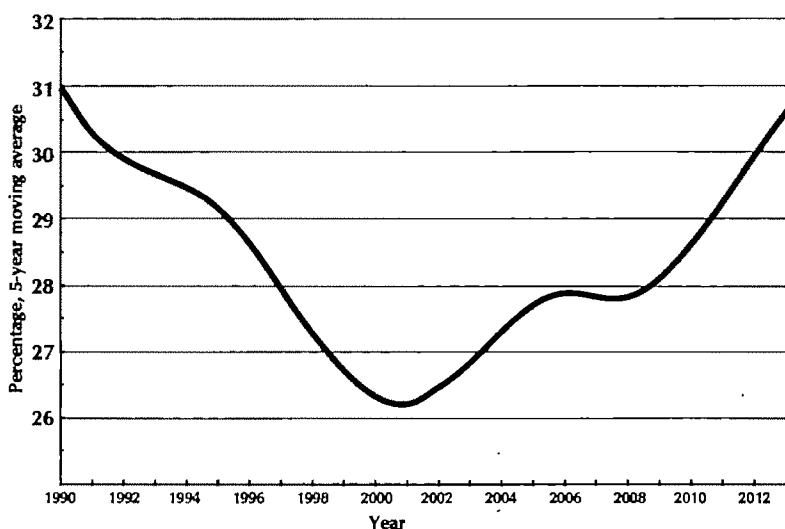
position where they need jobs simply to maintain themselves and their families.

For younger workers, the picture is even worse. Chart 3 shows the trends in the real jobless rates for men and for women ages eighteen to twenty-four since 1990. These rates rose to 44 percent for men in 2013 and 46 percent for women. Increasingly young people are being driven out of the job market altogether. They are finding themselves in a particularly untenable situation with it being so difficult even to enter the ranks of the employed. About 15 percent of people aged sixteen to twenty-four—some 6 million of them—are neither working nor in school.<sup>18</sup> And their future prospects are questionable given the findings of studies showing that once workers get behind their cohort in the job market they rarely catch up.

The situation for the long-term unemployed—"now one of the defining realities of the American workforce"—is truly discouraging. A *New York Times* article, describing one woman's quest for a job after being laid off from a university professional position, quoted her as follows: "I've been turned down from McDonald's because I was told I was too articulate...I got denied



Chart 2. Real Jobless Rate for Women Ages 25–54



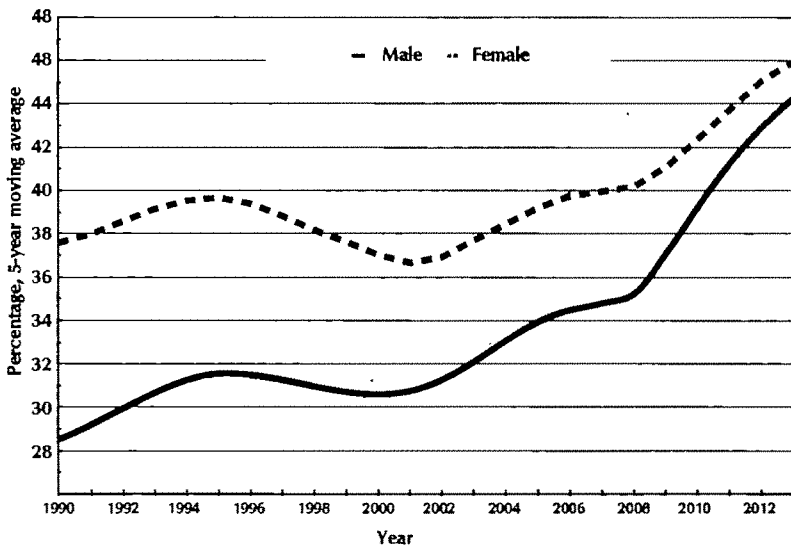
Sources: BLS, "Employment Level" and "Population Level," series LNU02000062 and LNU00000062. Also see note to Chart 1.

Note: The real jobless rate is calculated as  $1 - \text{employed/civilian non institutional population for a given age group}$ . It is the inverse of what the BLS terms the "Employment-Population Ratio."

a job scrubbing toilets because I didn't speak Spanish and turned away from a laundromat because I was 'too pretty.' I've also been told point-blank to my face, 'We don't hire the unemployed.' And the two times I got real interest from a prospective employer, the credit check ended it immediately."<sup>19</sup>

At the depths of the Great Recession, some 8.6 million jobs had been lost. However, the situation was actually even more serious than that—since even though there were more than 11 million *full-time* jobs lost, the increase in *part-time* employment during the Recession made the job-loss situation appear less severe than it was (Chart 4). At the time of this writing, there are still about 2 million fewer employed workers today, four years after the official end of the Great Recession, than were employed before the recession began. But there are some 5.5 million fewer full-time jobs. At the same time that millions of jobs lost in the Great Recession have still not been regained, the population has also been growing—so many more jobs are now needed than before. In 2007–2012 the number of people ages twenty-five to fifty-four, most of whom presumably need jobs, increased by about 6 million.

Chart 3. Real Jobless Rate for Men and Women Ages 18–24



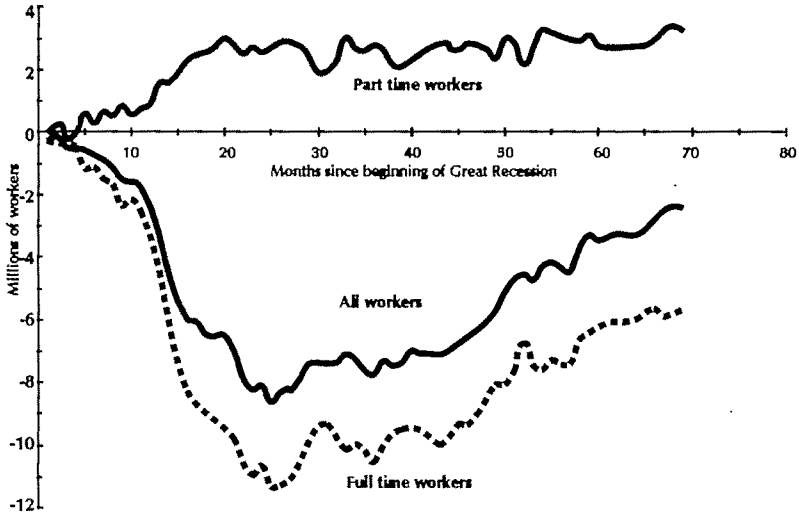
Sources: BLS, "Employment Level" and "Population Level" series LNU02000152, LNU02000317, LNU02024885, LNU02024886, LNU00024886, LNU00000317, LNU00000061, LNU00000152 and LNU00024885. Also see note to Chart 1.

Note: The real jobless rate is calculated as  $1 - \text{employed/civilian non institutional population}$  for a given age group. It is the inverse of what the BLS terms the "Employment-Population Ratio."

The precarious employment conditions affecting workers in the United States are even more apparent if we look at the data derived from what the Bureau of Labor Statistics (BLS) refers to as "alternative measures of unemployment," encompassing part-time workers desiring full-time work and workers who are discouraged, having given up looking for work—along with those who are otherwise "marginally attached." Such data gets closer to what Marx meant when he wrote of the reserve army of labor.

Although the population of working age people has increased in what is still a very weak labor market, a large number of people have stopped looking for work while others have taken part-time employment although desiring full-time work. Therefore, the number of those classified as unemployed (you must be actively looking for work to be counted as officially unemployed) is a vast under-assessment of the jobless situation. The 7.2 percent official unemployment rate in September 2013 increases to 13.6 percent unemployed when "discouraged" and other workers "marginally attached to the labor force," and part-timers wanting full-time jobs, are included. (It should be noted that even by the narrow gauge of

**Chart 4. Full, Part-Time, and All Workers (in Millions) Relative to Number in November 2007—Prior to Great Recession**



Sources: St. Louis Federal Reserve Fred Database, series LNS12500000 and LNS12600000

official unemployment accounting, 15 percent of the labor force was unemployed *at some point* during the year in 2011.)<sup>21</sup>

The increase in discouraged workers began even before the onset of the Great Recession, going back to the previous recession (2001) following the bursting of the dotcom bubble. The percent of the population that is actually employed or looking for work (the labor force participation rate) dropped from 67.3 percent in 2000 to 63.2 percent in September of 2013. Although the population is aging and increasing numbers are retiring (the baby boomers are reaching retirement age), even when looking at only those considered to be in the prime working ages of twenty-five to fifty-four years old, participation rates dropped from 84.6 percent in 1999 to 80.4 percent in September 2013. Although these percentage-point changes may seem small, the implication is that there are nearly 10 million *extra* people, including 1.5 million in the twenty-five to fifty-four year old age group, who would have been in the labor force if participation rates had not declined.

The BLS's estimate of those "marginally attached" to the labor force plus people working part-time but wanting full-time work is approximately another 9 million people. Thus there are over 20 million people who are "officially" unemployed, or "marginally attached," or working part-time but wanting full-time jobs (Table 1). But the BLS counts in its alternative measurements of

**Table 1. Estimate of Jobs Needed for Full Employment (September 2013)**

|                                                                                                                                                                                                         |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Unemployed                                                                                                                                                                                              | 11.3 million        |
| Marginally attached to labor force—did look for work in last year but not in last four weeks because                                                                                                    |                     |
| a) thought none was available                                                                                                                                                                           | 0.4 million         |
| b) of illness, lack of transportation, lack of daycare, etc.                                                                                                                                            | 0.8 million         |
| c) working part-time for economic reasons                                                                                                                                                               | 7.9 million         |
| <b>Total BLS Estimate Un- and Underemployment</b>                                                                                                                                                       | <b>20.4 million</b> |
| Number of people that would be in the labor force if participation rate had not declined from 67.3 to 63.2 percent (minus the 1.2 million not in labor force but counted above as marginally attached). | 8.8 million         |
| <b>Total jobs needed for full employment</b>                                                                                                                                                            | <b>29.2 million</b> |

Note: If the incarcerated population—consisting of some 2 million people at the end of 2012, the greater portion of which constitute hidden unemployment (and well over half of whom are racial/ethnic minorities)—were added to this total, it would come to over 31 million.<sup>28</sup>

unemployment merely 1.2 million of those not in the labor force—including among the marginally attached *only* those who looked for work in the last year (but not during the last four weeks). But what about people who gave up looking for work more than a year ago or, if young, have never looked for work because they feel that they will not find a job?

One way to get at this issue is to use the estimate (in Table 1) of the number of “missing workers” that would have been in the labor force if the labor force participation rate had remained at its 2000 level.<sup>22</sup> If they are added in (minus those already counted by the BLS in their estimate of un- and underemployment), the total number of jobs needed to reach full employment is close to 30 million (Table 1). To put this into perspective, the total private-sector employment (in September 2013) was 113 million. Thus the jobs needed for full employment by this count represent more than a quarter again as many as the private sector currently provides.

It is important to recognize that enormous levels of racial/ethnic inequality lie hidden behind aggregate figures on unemployment and underemployment. Approximately one in five Hispanic (18.9 percent) and black (22.4 percent) workers are either officially unemployed, part-time wanting full-time work, or “marginally attached.”<sup>23</sup>

Increasing use of part-time workers commonly occurs during recessions and decreases with recoveries. However, since the 1960s there has been a general upward trend in the use of part-timers, increasing from about 14 percent of all employed workers in 1970 to close to 20 percent in 2013.

## REVIEW OF THE MONTH: THE PLIGHT OF THE U.S. WORKING CLASS

During and after the Great Recession some 36 percent of all new jobs were part-time jobs. Although some people prefer to work part-time jobs, many (and indeed a rapidly growing proportion) of part-timers desire full-time work—with a significant percentage of part-timers, given the shortage of full-time employment, trying to hold down multiple part-time jobs. (There is some concern that hiring part-time employees is being made even more common by implementation of the new Affordable Care Act, which obligates businesses with more than fifty employees to participate in providing health care options for full-time employees. However, there is currently no evidence to support this assertion. The large increase in the percent of workers in part-time employment occurred during the early stages of the Great Recession.)

Another growing phenomenon is the increased use of nonpermanent workers, hired for a specified time period or to complete particular tasks. Referred to as contingent employees—a category that includes temporary hires (frequently from temp agencies), contract workers, freelancers, and consultants—their number has risen sharply and is now estimated at upwards of one-third of all employees; some believe it will rise to one-half of all workers as soon as 2020.<sup>24</sup> What this means is described in some detail in the *Time* magazine article, “The 4 A.M. Army”:

In cities across the country, workers stand on corners, line up in alleys or wait in a neon-lighted beauty salon for rickety vans to whisk them off to warehouses miles away. Workers say the 15-passenger vans often carry 22 people. They sit on the wheel wells, in the trunk space or on milk crates or paint buckets. Female workers complain that they are forced to sit on the laps of strangers. Some workers must lie on the floor, other passengers’ feet on top of them.

This is not Mexico. It is not Guatemala or Honduras. This is Chicago, New Jersey, Boston.

The people here are not day laborers looking for an odd job from a passing contractor. They load the trucks and stock the shelves for some of the U.S.’s largest companies—Walmart, Nike, PepsiCo’s Frito-Lay division—but they are not paid by them; instead they work for temp agencies. On June 7, 2013 the Labor Department reported that the nation had more temp workers than ever before: 2.7 million. Almost one-fifth of the total job growth since the recession has been in the temp sector. One list of the biggest U.S. employers placed Kelly Services second only to Walmart.

Outsourcing to temp agencies has cut deep into the U.S. job market: 1 in 5 manual laborers who move and pack merchandise is now a temp, as



is 1 in 6 team assemblers, who often work at auto plants. This system insulates companies from workers' compensation claims, unemployment taxes, union drives and the duty to ensure that their workers are legal immigrants. Meanwhile, the temps suffer high injury rates, and many of them endure hours of unpaid waiting and face fees that depress their pay below the minimum wage. Many get by renting rooms in run-down houses, eating dinners of beans and potatoes and surviving on food banks and taxpayer-funded health care. They almost never get benefits and have little opportunity for advancement.<sup>25</sup>

### The Health Effects of Job Loss

About 16–18 million workers losing their jobs each year is about “normal” (this rose to 25 million at height of the Great Recession)—though most quickly find work. This number does not include those that quit or leave for other reasons such as retirement. The private sector, as previously noted, has only about 113 million workers altogether. Thus, although those precariously attached to the economy (essentially the reserve army) lose their jobs more frequently than others, over a period of a few years a high percentage of all workers either have experienced unemployment or know someone who has.

Studies in both the United States and Europe have documented severe health effects associated with losing one's job. Some of these occur even if the unemployed person quickly gets another job. A study funded by the U.S. National Institutes of Health concluded “that unemployment was associated with a substantially increased risk of death among broad segments of the population.”<sup>26</sup> Compared to people who have not lost their jobs, heart disease, high blood pressure, and diabetes occurs more frequently in the unemployed (even if it was only a short duration of unemployment).<sup>27</sup> In a summary of data from Sweden, despite its strong social safety net, researchers found that “becoming unemployed [in] 1992–4 and experiencing 90 days or more of unemployment was...significantly associated with an increased risk of all-cause mortality from natural causes, including CVD [cardiovascular disease], as well as from external causes, both from suicide and from causes other than suicide.”<sup>28</sup> Another study in Europe found that:

the incidence of mental disorders has increased in Greece and Spain, and self-reported general health and access to health-care services have worsened in Greece. The number of suicides among people younger than 65 years has grown in the European Union (EU) since 2007, reversing a steady decrease in many countries. In the member states that joined the EU in or after 2004, suicides peaked in 2009 and remained high in 2010, whereas a further increase was noted in 2010 in the 15 pre-2004 countries of the EU. In England, the increase in suicides in 2008–10 was

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significantly associated with increased unemployment, and resulted in an estimated 1000 excess deaths.<sup>29</sup>

### Wage Stagnation

Increased unemployment and underemployment affects workers as a whole, not just those lacking work or full-time jobs—pulling down wages, leading to a decline in the labor share, and resulting in increased exploitation on the job. Starting with the lowest paid workers, approximately 75 million workers (out of approximately 128 million wage and salary earners) are paid on an hourly basis. Some 3.5 million of these were paid at or below the federal minimum wage of \$7.25 an hour. Another 5 million are estimated to earn wages not far above the minimum wage. A person working for forty hours a week for a full fifty-two weeks at this wage would earn only \$15,080, less than the 2013 poverty threshold for a two-person family. The federal minimum wage is not indexed for inflation and is raised only sporadically by Congress. The real minimum wage (adjusted for inflation) is lower today than it was in 1956 during Eisenhower's first administration.<sup>30</sup>

Real wages for all workers, corrected for inflation, have actually declined since the 1970s and are more than 10 percent below their level over forty years ago. Even when considering real median family income that includes many two-earner households there has been a decrease of around 9 percent from 1999 to 2012.<sup>31</sup>

Even when employed, many workers are struggling just to get by. Part of the explanation as to how people manage is the dependence of low-income working people on social (government) programs such as Medicaid, Children's Health Insurance Program, the earned income tax credit, Supplemental Nutritional Assistance Program (which replaced food stamps), as well as on private charities, especially for food assistance. It has been estimated that about 50 percent of all the fast food workers participate in government programs—amounting to a \$7 billion annual subsidy to the fast food industry.<sup>32</sup> But it is not just fast food workers that need to participate in social programs in order to get by—other sectors with high rates of worker participation in government social programs include restaurants and food services (44 percent of workers with families are enrolled), agriculture, forestry, and fisheries (35 percent), construction (30 percent), retail trade (30 percent), and other leisure and hospitality (30 percent). All told, some 63 percent of the total amount of families' benefit-programs funds (about \$240 billion) goes to worker families.<sup>33</sup>

Senator Bernie Sanders, an independent from Vermont, explained the situation with Walmart workers as follows:

The wealthiest family in this country is the Walton family. They are worth about a hundred billion dollars. That's more wealth than the bottom 40 percent of the American people. One of the reasons that the Walton

family, the owners of Walmart, are so wealthy is that they receive huge subsidies from the taxpayers of this country.... When you pay, at Walmart, starvation wages, you don't provide benefits to your workers, who picks up the difference? The answer is that many of the workers in Walmart end up getting Medicaid, they get food stamps, they get affordable housing paid for by the taxpayers of this country while the Walton family remains the wealthiest family in America.<sup>34</sup>

Thus while profits of the fast food industry and giant companies that use mainly low-wage labor like Walmart are definitely private, a portion of their labor costs—the difference between what they pay and what a person needs to survive in this country—have been socialized. In Marx's terms, private companies are not paying the full value of labor power (the cost of reproduction of the worker) but are requiring society to pick up the tab through a welfare system that is at the same time punitive and demoralizing.

### The Working Poor

Given the long-term pressure on labor generated by the one-sided class warfare from above, the result has been that many in the United States—both working and nonworking families—are simply unable to make ends meet. As discussed previously, there are large monetary costs for social programs to support workers earning inadequate incomes to support their families. But the uncounted costs of poverty in terms of quality of human lives, and health and life expectancy, are enormous.

The sheer number of poor people in the United States, and the number that are near poverty—perhaps a single paycheck away from losing housing or from hunger—is truly staggering. About 15 percent of the population, 46 million people, live below the poverty level, which is around \$14,000 for a two-person household and \$23,492 for a four-person household.<sup>35</sup> Twenty million of those living in poverty (close to half) are relying on an income that is less than 50 percent of the poverty level—\$7,000 for a two-person household and \$12,000 for a family of four. Over 100 million people (one-third of the U.S. population) are existing below twice the poverty income, close to \$47,000 for a family of four.

The poor include a large number of individuals or family members that are working while not earning enough to escape poverty because of low wages and/or lack of full-time hours. The BLS estimates that 10 million individuals were among the “working poor” in 2011. This is defined as a person who spent at least twenty-seven weeks in the labor force (that is, working or looking for work), but whose income still fell below the official poverty level. In 2011, the working-poor rate—the ratio of the working poor to all individuals in the labor force for at least twenty-seven weeks—was 7 percent.<sup>36</sup>

Minorities have the highest rates of working people living in poverty. One

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BLS report said, “Blacks and Hispanics were more likely than Whites and Asians to be among the working poor. In 2011, 13.3 percent of Blacks and 12.9 percent of Hispanics were among the working poor, compared with 6.1 percent of Whites and 5.4 percent of Asians.”<sup>37</sup>

### Increased Exploitation of Employed Workers

The Great Recession resulted in a drop of aggregate output of U.S. industry by about 7 percent in 2007–2009. But at the same time aggregate hours worked declined by 10 percent. This meant that labor productivity (or output per labor hour) shot up. According to a 2013 study by the National Bureau of Economic Research (NBER), this was because workers, afraid of losing their jobs, were compelled to work harder, producing greater economic surplus and profits for their employers. In the language of establishment economics, workers who see a decline in the overall demand for their labor—who recognize that there are fewer jobs, but more unemployed workers looking for them—have responded by increasing their “supply of effort” on the job. According to the NBER study, “When the alternatives are poorer, say because the job search is less likely to result in success, it is optimal for a worker to respond with increased effort.” Indeed, in economic hard times, the report indicated, it is not necessary for management to use higher wages as incentives to get workers to increase their productivity, since the lack of any viable alternative jobs will do just as well—and increase profit margins even faster.<sup>38</sup> As the *Washington Post* stated in 2010: “Workers were in a panic of their own in 2009. Fearful of losing their jobs, people seem to have become more and more willing to stretch themselves to the limit to get more done in any given hour of work. And they have been tolerant of furloughs and cutbacks in hours, which in better times would drive them to find a new employer.” Facing continuing economic stagnation (including a long jobless recovery), a vast reserve army of the unemployed and underemployed, wage stagnation, household debt, and the loss of health insurance if unemployed—the alternatives to employed workers continue to shrink and hence they have no choice but to submit to higher levels of exploitation in their present jobs.<sup>39</sup>

### Labor’s Declining Share

In a previous article (“Class War and Labor’s Declining Share”) we discussed the falling share of the GDP “pie” that goes to workers.<sup>40</sup> As we pointed out, there are many ways to approach this concept and different sources of data that can be used. Nevertheless, it is clear from a number of government sources—publications of the Cleveland and San Francisco Federal Reserve Banks, the Congressional Budget Office, and the *Economic Report of the President, 2013*, written by the president’s Council of Economic Advisers—that not only is the labor share declining, but that it has capitalists

and their representatives concerned, perhaps because they fear that the inequality of wealth and income that has accompanied the decline might lead to political instability at some future time.<sup>41</sup> Even Wall Street is beginning to worry about the lopsided income and wealth: "Some big investors have worried increasing income and wealth gaps threaten the economy's ability to expand. They also fret that public anger over it, which Democrat Bill de Blasio tapped in his successful run for New York City mayor, is creating dangerous political tensions."<sup>42</sup>

In our previous article on this topic we showed that the decline in wages and salaries as a percent of the GDP is especially severe for those approximately 80 percent of private-sector workers that are classified as "production and non-supervisory" employees. But research recently published by the Federal Reserve Bank of San Francisco indicates that just removing the highest of earners is sufficient to change things drastically—"the measured decline in the labor share [including all forms of compensation of wage and salary earners] would be much larger if not for the gains of the top 1 percent of payroll and self-employment income. By 2010, the labor share of the bottom 99 percent of taxpayers had fallen to approximately 50 percent from just above 60 percent prior to the 1980s."<sup>43</sup> In other words, including the compensation of the highest paid people—literally, the top 1 percent—adds enough to national labor compensation to skew the data for the entire labor force and make it appear that the declining share of the economy going to labor is not really that dramatic. This makes sense when we consider that in 2012 the top 1 percent took home an income estimated at eighty cents to "almost a dollar out of every \$4 generated by the American economy."<sup>44</sup>

So, while the share of income going to most workers is declining in the stagnating economy, the wealthiest are receiving an increasing share of the pie. It should come as no surprise to *Monthly Review* readers that corporate profits account for an increasing proportion of total income (which, of course, mainly end up in the pockets of the rich). Between 1986 and 2012, after-tax corporate profits increased over 7 percentage points in relation to GDP. In 2012 corporate profits reached a record high for the last half-century of 10.8 percent of GDP (domestic corporate profits alone set a record of 8.2 percent of GDP).<sup>45</sup>

During the economic recovery from the Great Recession the top 1 percent of income earners in the United States has captured 95 percent of the total growth of income in the economy. In 2002–2012 the bottom 90 percent of the population saw their average family income (excluding capital gains) drop by 11 percent, while those in the top 0.1 to 0.01 percent saw theirs rise by 30 percent and those in the top 0.01 percent, that is, one in every ten thousand people, enjoyed a 76 percent increase in average family income



(excluding capital gains).<sup>46</sup>

### **The Class War: Is it Necessarily One-Sided?**

In the present period of monopoly-finance capital the U.S. economy has been increasingly prone to stagnation. This is reflected in stunted growth rates, coupled with rising unemployment, underemployment, and unutilized productive capacity. Similar conditions exist throughout the triad of the United States/Canada, Europe, and Japan.

With the increased financialization of the economy the fates of the haves and the have-nots have more and more diverged. For a large portion of the working class, these are the worst of times. However, for the 1 percent in general, the 0.1 percent more specifically, and especially for the exclusive 0.01 percent at the very top of society, these are the best of times. And it has not been too bad for those near the upper echelons, even somewhat below the top 1 percent. Unable to prevent the deepening stagnation of the monopoly capitalist economy, the wealthy were nonetheless able to transform it to meet their own “needs” by financializing the system and their own wealth, and diverting more and more of the monetary flows of the economy, including state-sector funds, into their own deep pockets.

The enormous expansion of the reserve army of labor over the last thirty years, which has weakened the working class and undermined its traditional organizations such as labor unions, coupled with an organized, one-sided class war from above, has resulted in a massive and continuing redistribution of income and wealth to the top of the pyramid. Even before the Great Recession, between 2001 and 2006, more than half of the income gains in the United States were going to the top 1 percent of income earners, and around 20 percent to the top 0.1 percent.<sup>47</sup> Under these circumstances, economic growth can slow down and yet the rich can get relatively (and absolutely) richer faster—precisely because the poor are getting relatively (and absolutely) poorer faster. The combination of stagnation, financialization, and austerity all work to reinforce the power and wealth of capital and to place workers in a weaker and more dependent position. The economy as a whole may not be doing well but the rich are seeing their income and wealth rise hand over fist.

This situation—one in which the amassing of wealth at the top is no longer as directly dependent on the growth of capital accumulation/investment or of production (which increasingly take second place to financial speculation)—is bound to create ever larger contradictions in the system as a whole. This is related within the world economy to the relative shift in industrial production to the global South, with multinational corporations in the center gaining the lion’s share of the surplus generated through the global labor arbitrage, or the migration of production worldwide to regions with the lowest wages (and safety and environmental protection) costs—the highly

exploited export zones in the global South.

What should the response of the U.S. working class and the working class in the rest of the advanced capitalist world—not to mention the rapidly emerging working-class of the periphery—be in these circumstances? It hardly needs to be said. The only possible answer to capital's unlimited decades-long assault on labor is to unleash a class struggle from below in response. But economic resistance alone is never sufficient; and all the less so in those cases where workers are economically hemmed in as at present. The "very necessity of *general political action*," Marx wrote in *Value, Price and Profit*, "affords the proof that in its merely economic action capital is the stronger side."<sup>48</sup> The revolt of the underlying population therefore must take the form of a general political offensive against what is an unequal and irrational system. If the future of humanity and that of capitalism can be said to have coincided at one time, this is certainly no longer the case today. All reality and all hope demand a new system of production and consumption, *beyond capital and beyond mere wage labor*.

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# The Labor Share Question in China

Hao Qi

In the past two decades, China's economic growth has been increasingly dependent on investment.<sup>1</sup> To maintain the growth of investment, China must sustain a fairly high rate of profit, and the fall in labor's share has been seen as a crucial factor to sustain profitability.<sup>2</sup> Using a raw measure of labor's share—the compensation of employees as a percent of GDP—as shown by the bottom solid line in Chart 1, labor's share has experienced a major decline from 51.4 percent in 1995 to 42.4 percent in 2007. If we use different denominators to replace GDP in order to exclude the impact of depreciation and taxes—as shown by the top two lines in Chart 1, the general trend does not change much. After the outbreak of the global crisis in 2007, China's growth slowed down and workers' struggles against poor living and working conditions were surging—the strike at the Tonghua Steel Company is a telling example.<sup>3</sup> As a result, labor's share returned to 45.6 percent in 2012.

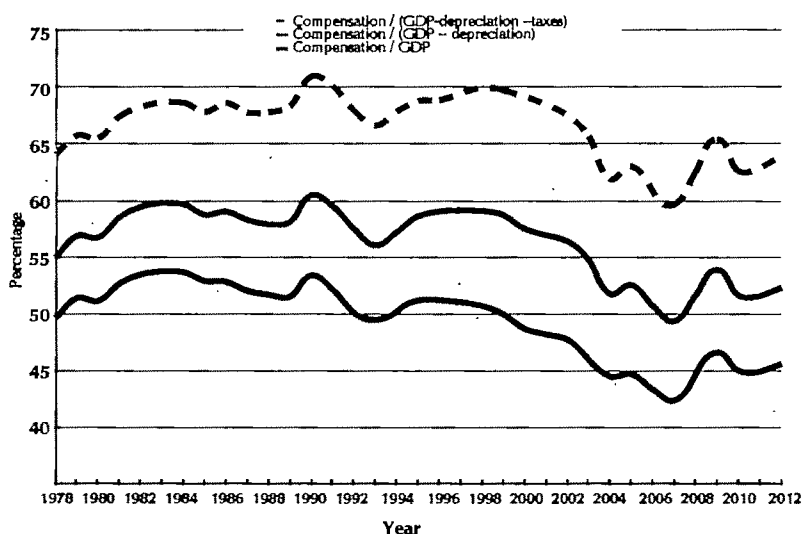
Although the mainstream economists have widely admitted there is a downward trend for labor's share in China, they explain this trend with a story that has nothing to do with class struggle.<sup>4</sup> In this story, the decline of labor's share is caused by sectoral changes, mainly the decrease of agriculture and the increase of industry and services as a percent of GDP in the reform era (from 1978 to present), which these economists superficially understand as economic modernization.<sup>5</sup> Moreover, owing to the fact that China's agricultural production is mainly organized by rural households, profits and wages are not distinguishable in statistics and thus labor's share in agriculture is much higher than that in other sectors. So, as the mainstream story claims, sectoral changes automatically cause labor's share of the whole economy to fall; also, since sectoral changes are labeled as “modernization,” the decline of labor's share should be seen as an inevitable result.

Does the decline of labor's share result from sectoral changes? This question needs to be addressed with a class analysis, which is entirely omitted by the mainstream story. In what follows it will be argued that the decline of labor's share resulted from the loss in the power of the working class during the transition to capitalism. Sectoral changes have disguised the class conflicts in this historical process.

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Chart 1. Raw Measurements of Labor's Share, 1978–2012



Sources: Tien-tung Hsueh and Qiang Li, *China's National Income: 1952–1995* (Boulder: Westview Press, 1999); National Statistical Bureau, *Data of Gross Domestic Product of China 1952–2004* (Beijing: China Statistics Press, Beijing 2006) (in Chinese); National Statistical Bureau, *China Statistic Yearbook* various issues from 2006 to 2013 (Beijing: China Statistics Press) (in Chinese).

### Debunking the Mainstream Story

The mainstream story has been accepted by the Chinese Communist Party (CCP). In the Report to the Eighteenth National Congress of the CCP in 2012, raising labor's share of the national income was set as a goal for the reform of income distribution; however, policies later proposed for this goal were merely focused on enhancing the skills of workers (derived from the neoclassical human capital theory) and creating more jobs for workers by promoting the development of the service sector and labor-intensive, small-scale enterprises. No policy was proposed to strengthen the power of the working class.<sup>6</sup>

Mainstream economists and policy makers believe that there is a U-shape curve relating labor's share to the composition of the various sectors. In their view, once the economic structure is fully "modernized," once the share of agriculture stops shrinking and the service sector takes an increasingly large share of the economy, labor's share would begin to rise; hence the only effective way to raise labor's share is to promote change in relative size of the

sectors. However, the mainstream story is based on nothing but a definition of labor's share that has nothing to do with the causal relations or the distribution of income within the working population.

Sectoral changes are not equivalent to economic modernization as a process of economic development. Sectoral changes involve the redistribution of labor power from agricultural to non-agricultural sectors and from industry to the service sector. In China, the influx of the migrant workers into the urban areas cannot be reduced to the rational response of peasants to the urban-rural income gap and the loosening of the restrictions on migration, since the urban enterprises must have prepared certain social and economic conditions for the absorption of migrant workers. One such condition was the class power relation: if the urban working class in the state-owned sector was sufficiently powerful, all the employment opportunities in that sector would be provided to the urban working class instead of migrant workers. In fact, the children of the urban workers were the main source for the new employment in the state-owned enterprises (SOEs) before the massive layoffs took place in the mid-1990s. Only when the power of the urban working class was undermined could the SOEs absorb migrant workers.

One telling example is the labor outsourcing at the Tonghua Steel Company. From 1996 to 2000, there were over eight thousand layoffs, as the company claimed it had hired "too many" workers. During the same period, the company began outsourcing work—mostly to migrant workers from the rural areas, as their wages averaged only half what the company paid its own workers. The company thus weakened workers' power through layoffs.<sup>7</sup>

Another example is Liuye, a construction company founded in 1963 in Luoyang, Henan Province. Since the early 1990s, most of the production workers were laid off, and only the management, skilled workers, and some office staff were retained. Since then, Liuye established a construction team for each project; each construction team had a manager and some skilled workers from Liuye, while the rest of the workers were all migrant workers. With this regime, Liuye could make full use of the low wages and flexibility of migrant workers, which was impossible before the layoffs took place.<sup>8</sup> In fact, the management made use of the massive layoffs in the 1990s to replace the workers who worked in the socialist era with migrant workers who were not only cheaper but also easily disciplined.

These layoffs resulted in not only the transfer of migrant workers, but also the expansion of the service sector. During the period 1996–2003, the share of industry in total employment decreased from 23.5 percent to 21.6 percent. This is the only period in the reform era that witnessed the decrease of industry's employment share. During the same time, the share of the service sector in total employment increased from 26.0 percent to 29.3 percent.<sup>9</sup> These changes were caused by the relocation of the laid-off workers. The



## THE LABOR SHARE QUESTION IN CHINA

China Urban Labor Survey recorded job changes due to layoffs for a sample of 949 people: beforehand, 42.1 percent of the sample worked in manufacturing and 21.5 percent worked in the service sector; after being laid off, only 14.4 percent worked in manufacturing and 44.3 percent worked in the service sector.<sup>10</sup>

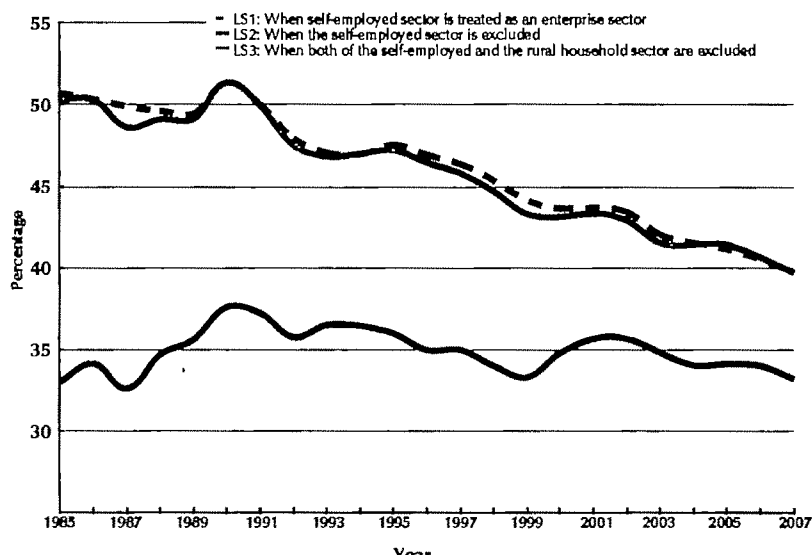
Another example is the development of the service sector in the Tiexi district in Shenyang, Liaoning Province. Before the 2000s, several large-scale industrial SOEs were located in Tiexi, and thousands of workers lived nearby. The massive layoffs triggered continuous conflicts between those enterprises and the laid-off workers. Worried about the social instability caused by the concentration of those conflicts, the local government decided to relocate those enterprises to remote and scattered areas and then introduce commercial and real estate programs into Tiexi, even though some of the land was polluted by previous industrial production and thus unsuitable for non-industrial usage. Only a decade later, one can hardly tell from the appearance of the city that Tiexi was previously an industrial area.<sup>11</sup>

These examples have shown how sectoral changes intertwined with the dynamics of class conflicts in China. The decline of labor's share in China was not an automatic result of sectoral changes, since those changes actually disguised the underlying class conflicts. In this perspective, this relationship is similar to that in the history of world capitalism: industrialization in the early period of traditional capitalist countries separated means of production from laborers and forced the proletarianized to work in factories as free labor; financialization in the late period of monopoly capitalist countries strengthened the power of financial capital and dragged the whole economy into the cycles of boom and bust. Along with industrialization and financialization, major changes took place in distribution, but those changes resulted from class struggle, not from the sectoral changes.

### How Deep Did Labor's Share Fall?

Before explaining the fall in labor's share, it is necessary to know how deep labor's share fell in China. The raw measure in Chart 1 does not tell us all the facts, since the compensation of employees suffers from several problems under China's statistical system. First, the agricultural income of rural households is treated as the compensation of employees, which needs to be discussed. Second, the income of the self-employed is also treated as the compensation of employees, but the self-employed sector is quite diversified: a great number of self-employed units are based on household labor, while others may hire workers, and some may hire more than a small enterprise hires. The third problem is the salaries of managers, which should not be treated as labor's income. However, since we lack macro-level data on the salaries of managers, we will discuss some micro-level evidence at the end of this section.

Chart 2. Labor's Share in Different Measurements, 1985–2007



Sources: Tien-tung Hsueh and Qiang Li, *China's National Income: 1952–1995* (Boulder: Westview Press, 1999); National Statistical Bureau, *Data of Gross Domestic Product of China 1952–2004* (Beijing: China Statistics Press, Beijing 2006) (in Chinese); National Statistical Bureau, *China Statistical Yearbook*, various issues from 2006 to 2012 (Beijing: China Statistics Press) (in Chinese); Ministry of Agriculture, *New China's Agriculture in Sixty Years* (Beijing: China Agriculture Press, 2009) (in Chinese); Siwei Cheng, ed., *China Non-public Ownership Economy Yearbook 2010* (Beijing: Democracy and Construction Press, 2010) (in Chinese).

Notes: The equations are:  $LS1 = (\text{wages and salaries of workers} + \text{the estimated wage part of the self-employed income} + \text{rural household income}) / \text{GDP}$ ;  $LS2 = (\text{wages and salaries of workers} + \text{rural household income}) / (\text{GDP} - \text{self-employed income})$ ;  $LS3 = (\text{wages and salaries of workers}) / (\text{GDP} - \text{self-employed income} - \text{rural household income})$ . Assumptions for estimating the wages, profits, depreciation of the self-employed sector include, first, the share of profits in total revenue is 25 percent; second, the profit/wage ratio of the self-employed sector is equal to the profit/wage ratio of the rural self-employed sector; third, depreciation of fixed capital is equal to 1 percent of total revenue. Different assumptions have been used for the robustness check, and the general results in Chart 2 are robust.

Chart 2 shows labor's share in three ways. The dashed line (LS1) treats the self-employed sector as a capitalist sector. Different from the official method that treats all the self-employed income as labor's income, LS1 only treats an estimated wage part of the self-employed income as labor's income. The solid gray line (LS2), on the contrary, assumes all the labor in the self-employed sector is household labor, thus the self-employed sector is excluded from both the numerator and the denominator in calculating labor's share. The actual scenario should lie between LS1 and LS2; fortunately these lines are quite close to each other. Both LS1 and LS2 show a sharply downward trend that began in 1990, whereas the downward trend in Chart 1 began in the mid-1990s, which implies

that the development of self-employment has disguised the actual decline of labor's share.

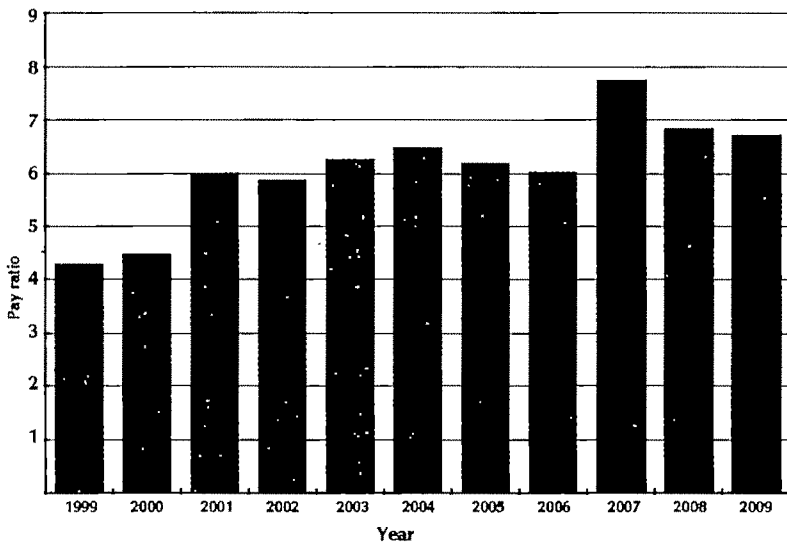
The solid black line (LS3) in Chart 2 excludes both the self-employed sector and the rural household sector, which also clearly shows a downward trend that began in 1990. This trend becomes flatter than what the other two lines show. However, LS3 is actually a contradictory measure of labor's share.

To explain this, we need to analyze the social function of agricultural income in China. Although agriculture is mainly organized by household labor, it is not separable from the capitalist production which dominates the non-agricultural sectors. One crucial reason is that agriculture and the rural society provides the conditions for the reproduction of labor power.

For rural households, agriculture in most cases is merely one of their income sources. Rural households are semi-proletarianized as they are participating in both household-organized agricultural production and wage employment.<sup>12</sup> In the decollectivization of the rural economy in the early 1980s, collective enterprises were transformed into township and village enterprises (TVEs) that were later controlled or privatized by individuals. In 1990, nearly one-fifth of rural laborers were working in TVEs; in 2010, this number became one-third.<sup>13</sup> Moreover, since the early 1990s, more and more rural laborers have migrated to urban areas; in 2011, the number of migrant workers reached 159 million, or 44 percent of total urban employment.<sup>14</sup> However, due to the high cost of housing, education, and medical care in the urban areas and relatively low wages that migrant workers can earn, most cannot live with their families in the urban areas.

For a typical rural family, wages from working in TVEs or in the urban areas make up a large portion of the family's income, while some of the family members (especially aging parents and young children) still need to engage in agricultural production and live in the rural areas, since the living cost in these areas is much lower. In this context, capitalists are not required to pay wages sufficient for the laborers to reproduce the labor power in the urban areas, and the agricultural income and the rural society becomes indispensable for the reproduction of labor power of their families.

Therefore, although LS3 does describe something about distribution, it meets with a theoretical contradiction: the labor's income implied by LS3 cannot satisfy the need of the working class to reproduce labor power. The distribution process in reality takes the semi-proletarianization of migrant workers and their families as its foundation. In this process, the working class makes use of both wage income and agricultural income to complete the reproduction process, and the capitalists take advantage of the double roles played by the working class to pay fewer wages. Excluding agricultural income from the calculation of labor's share oversimplifies the distribution process because it ignores the internal relationship between workers and peasants in the reproduction of labor power

**Chart 3. Ratio of Managers' Average Salary to Urban Average**

Sources: Data of managers' salaries are from Guotaian Database. The urban average wage is from National Statistical Bureau, *China Statistic Yearbook 2012* (Beijing: China Statistics Press, 2012) (in Chinese).

and the reliance of the working class on the rural society. In contrast, LS1 and LS2 are better measures of labor's share as they consider agricultural income as an integral part of labor's income.

The last problem with measuring labor's share is the salaries of managers. Under the socialist statistical system, China was collecting data on the salaries of cadres in factories, since the state attempted to control the income gap between cadres and workers, while after China replaced the socialist statistical system with the GDP accounting system in the early 1990s, these data were no longer collected. Nevertheless, from the data of the companies listed in China's domestic stock markets, we can compare the average salary of managers, including board members, supervisors, and executives, with the average wage of urban employees in the formal sector.<sup>15</sup> As shown in Chart 3, from 1999 to 2009 the ratio of the managers' average salary to the urban average wage increased from 4.2 to 6.7, or by 60 percent. This implies that, if managers' salaries are excluded from labor's income, it is very likely that labor's share in fact dropped more quickly in the past decade.

### **Class Power and Labor's Share**

Labor's share is widely used in Marxian economics as a proxy for the power of the working class. In China, labor's share as an outcome of

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distribution is closely associated with the transition to capitalism, and this relationship can be observed in the transition of incentive systems on the shop floor.

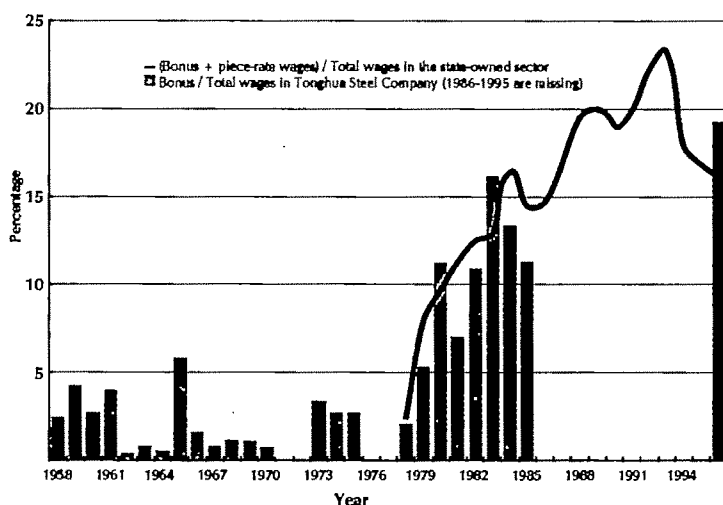
In the Maoist era, there was a recurring debate on “material incentives” and “politics in command” during the transformation of incentive systems. Although a Soviet wage system was established in 1956, there was a lack of consensus among the leadership on how to operate this wage system.<sup>16</sup> In particular, given that the Soviet Union underscored the role of material incentives, there was a debate on whether material incentives such as bonuses and piece-rate wages should be encouraged in China.

Mao Zedong was critical of this, and he suggested that the emphasis on material incentives was a reflection of the ignorance of political and ideological work. Mao argued these incentives merely underscored distribution according to work, but do not underscore the contribution of individuals to socialism.<sup>17</sup> Thus the proponents of “politics in command” proposed an entirely new path to generate work incentives. The key of the new path was to make workers recognize that they themselves were the masters of factories, and the purpose of production was consistent with the long-run interests of the working class.<sup>18</sup> To this aim, material incentives that merely relate workers’ contribution with their short-run economic benefits were eliminated, workers were encouraged to participate in the management of factories in various ways, and the income gap between workers and cadres was controlled since significant inequality would be contradictory to workers’ position as the masters of factories.

With the end of the Maoist era, the first attack against the working class was the deprivation of political rights that the workers had gained. The mass organizations established during the Cultural Revolution were dismissed; radical workers were criticized and punished; the four great rights—the right to speak out freely, to air one’s views fully, to write big-character posters, and to hold great debates—as well as the right to launch strikes were all eliminated in the 1982 amendment of China’s Constitution. Now, workers could no longer criticize cadres. Without the participation of workers in management, the Maoist incentive system lost its foundation and the material incentive system eventually took its place.

From the reformers’ point of view, the material incentive system could play important roles. First of all, material incentives, as compensation for workers’ loss of political rights, shifted workers’ attention from political rights to economic benefits. Secondly, through material incentives the reformers attempted to set up an image that they, in contrast to the leadership in the Maoist era, cared more about the living conditions of workers and the fairness in distribution. Thirdly, material incentives strengthened the power of cadres in management since cadres could decide how to distribute bonuses among workers.

**Chart 4. Bonus-Wage Ratio in Tonghua Steel Company and in the State-owned Sector. 1958–1996**



Sources: The bonus-wage ratio of Tonghua Steel Company is from Tonghua Steel Company, *Tonggang History 1958–1985* (unpublished book; in the Tonghua City Library). The bonus-wage ratio of the state-owned sector is from National Statistical Bureau, *China Statistic Yearbook* various issues from 1981 to 1997 (Beijing: China Statistics Press) (both in Chinese).

Note: The bonus-wage ratio of the state-owned sector is not available; instead the ratio of the sum of bonuses and piece-rate wages to total wages has been used.

From the position of the working class, the material incentive system benefited workers in the short run but sacrificed their long-term interests. Bonuses could grow as quickly as labor productivity did, but this does not imply that workers' total wages (including bonuses) could catch up with labor productivity. As workers' income increasingly relied on bonuses, workers had to be more obedient to cadres in production, which in turn meant that workers were in an unfavorable position with respect to distribution.

Chart 4 shows the bonus-wage ratio—the ratio of bonuses to total wages—for the Tonghua Steel Company and the state-owned sector as a whole (including SOEs and non-enterprise units such as government institutions). For the steel company, this ratio reached its peak at 4.2 percent in 1959, while in several years of the 1970s this ratio fell to zero. After the Maoist era, the bonus-wage ratio boomed and reached around 20 percent for the state-owned sector. This high bonus-wage ratio was not able to sustain itself; after 1993, this ratio dropped, and in 1996, it returned to the level of ten years earlier.

It is not difficult to figure out why the bonus-wage ratio failed to sustain its

growth. The viability of material incentives relies on the growth of labor productivity, as the former cannot be generated without the latter. If enterprises are affected by macro fluctuations (as in the mid-1990s), the growth of labor productivity cannot be realized and thus material incentives would not function.<sup>19</sup> Under this circumstance, the power of the management was threatened by the problems with the incentive system. For a capitalist enterprise, if the carrot of material incentives does not work, the stick strategy would take its place—capitalists would create unemployment so as to discipline workers. In the early 1990s, however, the management in China's SOEs did not have the power to fire workers unless workers made serious mistakes such as crimes.

If it were impossible to tame the workers who had socialist experience from the Maoist era, the rational strategy for enterprises was to segregate the labor market in order to explore new sources of labor power, and the state indeed responded to this imperative. The early 1990s witnessed policy changes that reduced barriers for migrant workers to work in the urban areas.<sup>20</sup> In the following two decades this new component of the Chinese working class suffered from long working hours and poor working conditions. A 2009 survey from the National Bureau of Statistics has shown that on average migrants work 58.4 hours per week, much more than the 44 hours stipulated in China's Labor Law. Nearly 60 percent of migrant workers did not sign any labor contract, and 87 percent of them did not have access to health insurance.<sup>21</sup> The segregation of the labor market in the early 1990s could provide enterprises with a larger labor force, but without the stick of unemployment the SOEs could never undermine the power of their workers.

In the mid-1990s, China launched a massive privatization of SOEs. Along with this privatization, about 30 million workers were laid off.<sup>22</sup> This was a crucial turning point in Chinese capitalism that fundamentally altered the power relations between workers and capitalists. Workers with socialist experience were forced to leave factories, whereas young workers without socialist experience became the majority of the labor force in SOEs. Due to this change, institutions in SOEs began to converge with those in private enterprises: short-term labor contracts, dispatched workers, and overtime work became the routine in both SOEs and private enterprises.<sup>23</sup>

After the reform, despite the convergence of the institutions on the shop floor, the labor market on the contrary became more segregated. In the center of the labor market was a group of skilled workers in SOEs who enjoyed relatively high wages, benefits, and job security; whereas on the periphery were the laid-off workers and migrant workers who received low wages and benefits with less job security. The segregation of the labor market was clearly observed in the statistics. In 2011, there were 359 million urban employees in total; among them only 19 percent worked in the state-owned sector; another 21 percent worked in the formal sector excluding the state-owned sector; 34 percent worked



in the informal sector—either in private enterprises or in the self-employed sector. Ironically, the remaining 26 percent of urban employees (or 97 million employees) turned out to be “invisible” for the National Statistical Bureau because they did not know which sector those employees should belong to.<sup>24</sup> In fact, the “invisible” employees were mostly migrant workers working in private enterprises or in the self-employed sector; their jobs were so informal that they were not registered in any way.

To sum up: during the country’s transition to capitalism, as the bonus-centered incentive system could not sustain itself, enterprises needed the existence of a reserve army to discipline workers and a segregated labor market to divide and conquer the working class. A continuous influx of migrant workers and the 30 million laid-off workers from the state-owned sector jointly expanded the reserve army of labor within a few years in the 1990s. The reserve army significantly depressed the power of the working class as a whole, and the segregation of the labor market also weakened the solidarity of the working class. This is why we have witnessed the major decline of labor’s share since the early 1990s.

## Conclusion

There is a new turning point for the Chinese working class.<sup>25</sup> After the outbreak of the global capitalist crisis, labor’s share in China began to recover. Along with this fact, one can also observe that the nominal wage level has grown faster than nominal GDP since 2008, and in 2012 China’s working-age population decreased for the first time in the reform era, which implies that the reserve army of labor will shrink in the near future.<sup>26</sup> More importantly, there is a developing workers’ struggle for a decent living wage that is sufficient to afford the cost of living in the urban areas. The new generation of migrant workers who were mostly born in the 1980s and ‘90s insists on living in the urban areas. This has led to struggles for higher wages. Workers’ struggle for a larger share of the national income will eventually end the high-profit era for capitalists and thus open up a new era for the Chinese economy.

## Notes

1. See Andong Zhu and David Kotz, “The Dependence of China’s Economic Growth on Exports and Investment,” *Review of Radical Political Economics* 43, no. 1 (2011): 8–32.
2. See Chong-en Bai, Chang-Tai Hsieh and Yingyi Qian, “The Return to Capital in China,” *Brookings Papers on Economic Activity* 37, no. 2 (2006): 61–102.
3. On July 24, 2009, workers at the Tonghua Steel Company launched a strike and beat the general manager to death. The Tonghua Steel Company was a state-owned enterprise that was privatized through a local government-led program by introducing a “strategic” private shareholder in 2005. After privatization, the company laid off workers, constrained wage growth, and cut benefits such as the heating subsidy, while the management gained huge bonuses through privatization. This struggle forced the local government (the biggest shareholder) to introduce another state-owned enterprise to replace the private shareholder.
4. The mainstream story is represented by the following studies: Chong-en Bai and Zhenjie Qian, “The Factor Income Distribution in China: 1978–2007,” *China Economic Review* 21, no. 4 (2010): 860–70; Chong-en Bai

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- and Zhenjie Qian, "The Determinants of Labor's Share: Evidence from China's Provincial Panel Data," *World Economy (Shijie Jingji)* 33, no. 12 (2010): 3–27 (in Chinese); Loren Brandt, Chang-tai Hsieh, and Xiaodong Zhu, "Growth and Structural Transformation in China," in Loren Brandt and Thomas Rawski, eds., *China's Great Economic Transformation* (London: Cambridge University Press, 2008). A theoretical model can be found in Song Zheng, Kjell Storrastletten and Fabrizio Zilibotti, "Growing Like China," *American Economic Review* 101, no. 2 (2011): 196–233.
5. In China's reform era, agriculture as a percent of GDP has declined from 28.2 percent to 10.0 percent, the service sector as a percent of GDP has increased from 23.9 percent to 43.4 percent, and the share of industry has been roughly stable. Sources: National Statistical Bureau, *China Statistic Yearbook 2012* (Beijing: China Statistics Press, 2012) (in Chinese).
6. See National Development and Reform Commission, Ministry of Finance, and Ministry of Human Resources and Social Security, "Some Opinions on Deepening the Reform of the System of Income Distribution," <http://gov.cn> (in Chinese).
7. This example is from my interviews.
8. Ibid.
9. National Statistical Bureau, *China Statistic Yearbook 2012*.
10. Cai Fang, "The Consistency of China's Statistics on Employment," *Chinese Economy* 37, no. 5 (2004): 74–89.
11. This example is from my interviews.
12. Pan Ngai and Lu Linhui, "Unfinished Proletarianization: Self, Anger, and Class Action Among the Second Generation of Peasant-Workers in Present-Day China," *Modern China* 36, no. 5 (2010): 493–519. Tu Lv, *Chinese New Workers* (Beijing: Law Press, 2012) (in Chinese).
13. National Statistical Bureau, *China Statistic Yearbook 2012*.
14. National Statistical Bureau, "Investigation Report on Migrant Workers 2009," <http://stats.gov.cn> (in Chinese). In this article "migrant workers" refers to laborers from the rural areas working out of their towns; thus it does not include laborers doing non-agricultural work within their own towns.
15. The sample is from Guotai database, which provides the information about the salaries of about 30,000 board members, supervisors, and executives in the listed companies in China. The formal sector includes state-owned units, collective-owned units, cooperative units, joint-ownership units, limited liability corporations, share-holding corporations, foreign-funded units, and units with funds from Hong Kong, Macao, and Taiwan.
16. The Soviet wage system in China featured an eight-grade scale for workers and separate scales for cadres and technical staff.
17. Mao Zedong, *Mao's Notes and Talks on Reading Socialist Political Economy* (Beijing: National History Academy, 1998) (in Chinese).
18. See Stephen Andors, *China's Industrial Revolution: Politics, Planning, and Management, 1949 to the Present* (New York: Pantheon Books, 1977).
19. Deng Xiaoping's southern tour in 1992 triggered an investment boom which further led to continuous inflation in the following years. In 1994, the government decided to restrain banking credit to deal with inflation. This policy succeeded in controlling inflation but meanwhile depressed the profitability of enterprises.
20. In the 1980s, the government strictly controlled the migration of labor forces. Migrant workers were called the "blindly floating population." In the 1990s, most of the constraints on migrant workers were eliminated, whereas workers were still facing the possibility of being repatriated. See Tu Lv, *Chinese New Workers* (Beijing: Law Press, 2012) (in Chinese).
21. National Statistical Bureau, "Investigation Report on Migrant Workers 2009," <http://stats.gov.cn> (in Chinese).
22. The number is estimated by the reduction in the employment of the state-owned sector from 1995 to 2000. Data is from National Statistical Bureau, *China Statistic Yearbook 2012*.
23. In the interviews with some workers in SOEs, I found that new workers in SOEs mostly signed three-year-long labor contracts, and dispatched workers, who were hired by external labor agencies but worked for SOEs, were quite common in construction and transportation. Many of my interviewees complained about overtime work, and one interviewee who had working experience in both SOEs and private enterprises said that there was no difference with regard to overtime work in both kinds of enterprises.
24. National Statistical Bureau, *China Statistic Yearbook 2012*. Philip Huang suggests that the statistical apparatus in China neglects this part of employment because of the misleading influence of mainstream economic and sociological theories. See Philip Huang, "China's Neglected Informal Economy: Reality and Theory," *Modern China* 35, no. 4 (2009): 405–38.
25. Mingqi Li, "The Rise of the Working Class and the Future of the Chinese Revolution," *Monthly Review* 63, no. 2 (2011): 38–51.
26. National Statistical Bureau, "Statistical Communiqué of the People's Republic of China on the 2012 National Economic and Social Development," <http://stats.gov.cn> (in Chinese).

# European Labor

## *Political and Ideological Crisis in an Increasingly More Authoritarian European Union*

Asbjørn Wahl

Acute economic and political drama mark contemporary Europe. The terrible trauma of the financial crisis has been followed by a sovereign-debt disaster. In the countries most deeply affected, the people have been faced with massive attacks on public services, wages, pensions, trade unions, and social rights. The draconian austerity policies have pushed the situation in those countries from bad to worse, leading them into a deep depression. The result is an ever more serious social and political crisis. Mass unemployment is growing, and both in Greece and Spain youth unemployment has now passed 50 percent. In the European Union this is leading to more intense internal confrontations, both social and political.

Confronted with these multiple crises, the traditional labor movements appear perplexed and partly paralyzed. Social democracy is in political and ideological disarray and confusion, reflecting a deep crisis in these movements. On the one hand, social democrats have played a leading role in fierce attacks on trade unions and the welfare state in countries where they have been in power. On the other hand, other social democrats adopt statements and support appeals that sharply condemn the political course now followed by the European Union. The trade unions have also been stricken by the multiple crises, and have been unable to curb the attacks made on them. Of course, mass unemployment is also weakening their power and influence at the negotiating table. Extensive restructuring of industries, privatization of public services, and increased use of temporary workers have contributed to the unions' loss of power.

This paralysis of the political left was illustrated in 2011 when huge masses of young people protested in countries like Spain, Greece, Portugal, and Italy. The protest movements were inspired more by what happened at

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Tahrir Square in Cairo than by political parties or trade unions in their own home countries. The latter were hardly present to build alliances, to politicize, or to contribute to giving direction and content to the struggle. Instead, big parts of the trade-union bureaucracy have stagnated in a social-partnership ideology that no longer has any meaning, since capitalist forces have withdrawn from the historic post-Second World War compromise between labor and capital, and gone on the offensive to defeat the trade-union movement and get rid of the best parts of the welfare state.

While the deepest and most serious economic crisis since the depression of the 1930s is unfolding, criticism of capitalism has more or less fallen silent. The trade union and labor movements no longer represent a general, credible alternative to a crisis-ridden capitalism generating mass unemployment, poverty, suffering, and misery in great parts of the European continent. To the degree unions have put forward alternative proposals, they have ignored strategies and shown neither the ability nor willingness to put to use the means of struggle necessary to gain ground. Trade unions at the European level have sharpened their rhetoric, but they have hesitated when it comes to the necessary mobilization to resist the attacks.

How has this been possible in a part of the world that has hosted some of the strongest and most militant trade unions and labor movements in the world? Why have opposition and resistance not been stronger? And how did we come to the point where social-democratic governments in Greece, Spain, and Portugal have accounted for some of the most serious attacks on unions and the welfare state—until resistance from the population and frustrated voters ousted them from office and replaced them with right-wing governments even more faithful to financial capital?

This article deals with the challenges and barriers that trade unions now face in the European Union. There are a number of structural barriers that the European Union as a supranational institution represents, as well as internal political-ideological barriers that prevent unions from fulfilling their role in the current situation. The most important developments that are challenging, as well as threatening, what many people call *Social Europe* will be described: attacks on public services, pensions, wages, and working conditions, as well as strong anti-democratic tendencies. But first, it is necessary briefly to address the role of social democracy in Europe today in light of its history.

### The Historical Role of Social Democracy

Much now suggests that the historical era of social democracy is over. This does not mean that political parties that call themselves Social Democratic (or Socialist, as they call themselves in southern Europe) will not be able to win elections and form governments, alone or with other parties. However, the role

social democracy has played historically, as a political-party structure with a certain progressive social project, now seems to be irrevocably over. The original goals of social democracy—to develop democratic socialism through gradual reforms, place the economy under political control, and meet the economic and social needs of the great majority of the population—were given up a long time ago. Instead, what will be focused on is the role it played during its golden age—the age of welfare capitalism—as an intra-capitalist political party with a social project.

The change of the character of the social-democratic parties has developed over a long time, but today's more intensified social contradictions help reveal what is hiding beneath the thin veil of political rhetoric. Where social democracy has been in power in EU countries in recent years, its leaders have been loyal executioners of brutal austerity policies, overseeing massive attacks on the welfare state and trade unions. In turn this has, among other things, led to dramatically reduced support for social democrats; with few exceptions, today they are hardly represented in European governments.

The role of social democracy in its golden age was to administer the class compromise—not to represent workers against capital, but to mediate between the classes within the framework of a regulated capitalist economy. As a result, the parties (especially where they were in power over long periods) changed from mass organizations of workers into bureaucratic organizations strongly integrated into the state apparatus, with dramatic losses in membership, and with their organizations increasingly converted into instruments for political careerists, and campaign machinery for a new political elite.

Based as it was on the class compromise, social democracy sank into an ever deeper political and ideological crisis as capital owners, responding to their own need to accumulate capital, gradually began to withdraw from the historic compromise around 1980. The social-democratic parties were so deeply integrated in the state apparatus that they changed alongside the state as it became strongly influenced by the emerging neoliberal hegemony. Social democratic parties have thus contributed greatly to deregulation, privatization, and the attacks on public welfare of the last few decades. This has been true whether it happened under the label of "the third way," as in the United Kingdom; *Die neue Mitte*, as it was called in Germany under Gerhard Schröder; or even under the fluttering banner of *folkhemmet* ("the people's home") in Sweden. In fact, when social-democratic governments were in a majority in the late 1990s, for the first and only time in EU history, no change in the EU's neoliberal policies took place. This led one commentator at the time to conclude that "There's not much left of the left."<sup>1</sup>

The political-ideological decay on the left was well illustrated by the many meaningless statements that came in the wake of the financial crisis in relation

to the government emergency measures. Many social democrats in Europe stated that the big government bailouts to the banks and financial institutions were proof that the politics of the left were on their way back. State regulation and Keynesianism had once again come to honor and dignity, it was said. Even *Newsweek's* front page proclaimed, "We are all socialists now."<sup>2</sup> The moderate, now retired, General Secretary of the European Trade Union Confederation (ETUC), John Monks, said it this way: "All over Europe, everybody is a social democrat or a socialist now—Merkel, Sarkozy, Gordon Brown.... The wind is in our sails."<sup>3</sup>

However, there is a difference between Keynesian social reform policies and desperate government bailouts to save the speculators, financial institutions, and perhaps capitalism itself. That it was the latter was realized by many only as the financial crisis changed into a sovereign debt crisis, and the stimulus packages were replaced by reactionary and anti-social austerity policies, in which banks and financial institutions were saved at the expense of ordinary people's living standard, welfare, and jobs.

Social democracy has, without exception, supported all of the neoliberal treaties and important austerity legislation in the European Union. Social-democratic parties have fully supported the establishment of the single market, which in reality has been a systematic project of deregulation, privatization, and undermining of public services and trade unions. The problem the social-democratic parties now face is that the demands for Keynesian stimulus policies, which some of them advocate, are in violation of the same treaties and laws which they were instrumental in passing. The social democrats have painted themselves into a corner and are increasingly squeezed between growing social rebellion and their loyalty to the neoliberal European Union.

The political crisis also affects parties to the left of social democracy. In countries where such parties have been in coalition governments with social democrats—France, Italy, Norway, and Denmark—the consequences have ranged from merely negative, to disastrous. To a large degree, the small left parties have been made hostage to neoliberal policies, including support for privatization and the U.S. war machine, such as its invasion and occupation of Afghanistan.<sup>4</sup> They have not been able to be consistent critics of the system, let alone offer a credible alternative. This means that there is hardly any political or social force with strength and legitimacy in Europe today which is in a position to take the lead in organizing and coordinating the social resistance that regularly breaks out across Europe against the policies of austerity and rapidly rising inequality of income and wealth. One of the most dramatic and dangerous consequences of this development, where the traditional labor parties pursue various degrees of neoliberal policies, is that confidence in the political left has broken down, while right-

wing populism and extremism have gained ground. Parties representing these politics have now entered the stage—and parliaments—in most European countries. The indications are that a political restructuring of the left will be necessary for the labor movement once again to be able to go on the offensive and establish a wider, alternative social project.

### **Massive Attacks on Public Services, Wages, and Pensions**

Many expected that the financial crisis, with its devastating consequences, would mean the final goodbye to neoliberalism, the speculation economy, and the hegemony of free market forces. These policies had led to a dramatic redistribution of social wealth from labor to capital, from public to private, and from the poor to the rich. The system was discredited, and surely the politicians would now realize that systematic deregulation, privatization, and free-flow capitalism had failed disastrously. The casino economy had to be stopped. In Iceland thousands of jobs, and the entire national economy, were turned into a gambling casino, where a small group of speculators enriched themselves beyond our comprehension at the expense of the country's population. It was intolerable; the time was ripe for control and regulation.

That was not what happened. The neoliberals and the speculators, who strongly contributed to causing the crisis, remained in the driver's seat, even when emergency measures were designed and the bills settled. Of course, what happened up until the crisis, as well as what has happened since, reflect power relations in society. It is not pure reason but the prevailing power relations that determine which "solution" is selected. Had reason prevailed—if the interests of the majority of the people had been paramount—the destructive speculation economy would have been stopped. This could have been achieved by regulation, by gaining increased democratic control of banks and other financial institutions, and by banning short selling, hedge funds, and trading in a variety of high-risk (so-called) financial instruments. This would have limited the power of the banks, restricted the free movement of capital, and reformed a tax system that now unburdens the rich and encourages unfettered speculation.

Deregulation of markets, greater inequalities in society, and extensive speculation were key factors that helped create the 2008 financial meltdown. In response, a number of governments ran up public debt to save their banks, financial institutions, and speculators. The effects were disastrous, and in many countries so many people were so strongly affected that neoliberals and speculators probably feared social unrest. Time showed, however, that there was no reason for this; popular revolt against the speculation economy failed to materialize. Trade unions in some EU countries mobilized, but a joint-European-offensive struggle never materialized. Thus, the neoliberals could continue their project of changing Europe according to their own economic

and political interests.

The first thing neoliberalism's champions and beneficiaries did was disclaim responsibility. While their unrestrained speculation and the formidable redistribution of wealth from the bottom to the top had helped trigger the crisis, they now said that the problem was that people had "lived beyond their means." Myths were and are still being spread that pensions and welfare services are gilt-edged and that these are the real causes of the crisis. In particular, the social elite and the dominant media portrayed working people in Greece as having granted themselves privileges without any real economic basis. This is being used as propaganda to legitimize widespread attack on the welfare state, while financial capital is protected.

The European Trade Union Institute (ETUI) quickly documented that these allegations were just myths with little connection to reality. For example, labor productivity increased twice as fast in Greece as in Germany from 1999 to 2009. According to OECD (Organisation for Economic Co-operation and Development) statistics, on average Greeks work many more hours per year (2,152) than Norwegians (1,422) or Germans (1,430). While a few occupational groups have a low retirement age, pensions at early retirement are so low that hardly anyone is able to make use of them. For example, only thirty or forty of Athens's 20,000 bus drivers have used the theoretical option of early retirement at age fifty-three. The real average retirement age in Greece is 60.9 years for women and 62.4 for men, which is higher than in Germany, where right-wing politicians played on these myths. These falsehoods still dominate in mainstream media and the political life in Europe, something that tells us a lot about the existing power relations, the media's servility to the elite, and the political and ideological crisis of the left.

While the bailouts saved the speculators, governments did not use the opportunity to take increased democratic control or ownership of financial institutions. Of course, this would have been a challenging project given the enormous power capitalist forces have achieved in our societies through deregulation and accumulation of wealth over the last decades. The final communiqué of the G20 meeting in Toronto, Canada in June 2010 gave us an excellent example of this. It contained little but the well-known, neoliberal proposals to remove even more barriers to the free movement of capital, goods, services, and labor. There was nothing left of all the proposals that had circulated about the need for regulation of financial markets and to raise more funds from banks and financial institutions. The losses are therefore socialized while profits are privatized—once again.

Governments, the European Commission, the European Central Bank (ECB), and the International Monetary Fund (IMF)—the three latter (un)popularly called the Troika—have not reinstated Keynesian policies and re-regulated finance. Instead, they have used the crisis as an excuse to further



transform society to meet the needs of finance capital. Thus the Troika now prescribes the same policy in Greece, Ireland, Portugal, and Italy as the IMF previously imposed upon developing countries and Eastern European nations through the so-called structural adjustment programs, namely massive privatizations. In Greece, for example, the railways, the water supply of Athens and Thessaloniki, utilities, ports, airports, and the remaining public ownership of the national telecommunications company have been privatized. Cuts, privatizations, and widespread attacks on public services are the order of the day in country after country. This is a recipe for depression and social crisis.

In several EU countries—the Baltic states, Bulgaria, Greece, Ireland, Portugal, Romania, Spain, and Hungary—wages, working conditions, and pensions have been severely weakened. Pensions have been cut 15–20 percent in many countries, while wages in the public sector have been reduced from 5 percent in Spain to over 40 percent in the Baltic. In Greece, the number of public employees has already been reduced by more than 20 percent. And still more is demanded: in Spain only one in every ten vacant positions in the public sector is filled, one in every five in Italy, and one in every two in France. In Germany 10,000 public-sector jobs have already been cut, and in the United Kingdom it has been decided to cut close to half a million jobs, which in effect will involve about the same number of jobs in the private sector.

The Value Added Tax (VAT) has been increased dramatically in several countries; social benefits have been slashed, particularly for the unemployed and disabled; budgets have been cut; the labor laws have been weakened (especially employment protection); minimum wages have been reduced; universal welfare schemes have been converted to programs that are means-tested (as is the case with the British child benefit). Meanwhile, the tax on capital has been held constant—or even decreased. Collective agreements and labor rights have been set aside, not through negotiations with the unions, but by government decrees and/or political decisions. Increased competitiveness of European businesses is raised as the main aim, to which all social concerns are subordinated. This represents a new and dramatic situation in Europe. The massive austerity policy and attacks on trade unions constitute, socially and politically, a deadly mix, and the historical experiences in Europe make them particularly frightening. If the trade unions are not able to curb these developments, we face a defeat of historical dimensions for the labor movement in Europe, with enormous consequences for the development of our societies.

Michael Hudson, a former Wall Street economist and now professor at the University of Missouri, notes that there is a massive fight against workers taking place:

The EC [European Community] is using the mortgage banking crisis—and the needless prohibition against central banks monetizing public budget deficits—as an opportunity to fine governments and even drive them bankrupt if they do not agree [to] roll back salaries.... “Join the fight against labour, or we will destroy you,” the EC is telling governments. This requires dictatorship, and the European Central Bank (ECB) has taken over this power from elected governments. Its “independence” from political control is celebrated as the “hallmark of democracy” by today’s new financial oligarchy.... Europe is ushering in an era of totalitarian neoliberal rule.<sup>5</sup>

### Towards an Authoritarian Europe

The European Union’s role has been crucial for what is now taking place in Europe. In addition to the democratic deficit that is embedded in EU institutions, these institutions have been formed and shaped during the neoliberal era. They are dominated by the interests of capital to an extraordinarily high degree. The crisis has been used to wage a massive battle from the heights of the European Union’s governance institutions to further transform Europe in the image of capital.

More and more political power is being transferred to the unelected EU institutions in Brussels. The European Union’s only elected body, the European Parliament, has been sidelined from much of the process. The European Union therefore now moves in the direction of further de-democratisation, at a speed and in a manner with frightening possibilities.

Currently this development is carried out through a number of political innovations:

- *The European semester*, which means that national governments each year will have to submit their proposals for state budgets and structural changes to Brussels for “approval.”
- *The Euro Plus Pact*, a deregulation and austerity pact that includes all Euro countries and other EU nations that have decided to join (the United Kingdom, Czech Republic, Hungary, and Sweden have remained outside of it). Attacks on working hours, wages, and pensions are part of the pact.
- *New economic governance*, with six new laws, also called the “six-pack.” The package is intended to provide the legal basis for the implementation of the dramatic austerity policies, including enforcement rules.
- *The Fiscal Pact*, which, according to the German Prime Minister Angela Merkel, should be irreversible, and which will centralize and further de-democratize the economic power of the European Union, through (among other things) the introduction of financial and other

sanctions against member states that do not comply with the requirements. It is an intergovernmental agreement, and therefore formally not a part of the EU institutional framework.

Several of these pacts and agreements overlap, but with an increasing degree of centralization and authoritarian top-down policy instruments, including the transfer of power from nation states to Brussels, and from the European Parliament to the Commission. At the same time, we see a more and more open division between some core countries, centered around Germany and France, and a periphery of weaker states, particularly in the east and south of Europe.

The most crisis-ridden countries, like Greece, Ireland, and Portugal, have more or less been put under the administration of bodies still further away from democratic legitimacy: the European Central Bank, the International Monetary Fund, and the European Commission. The European employers' association, the Union of Industrial and Employers' Confederations of Europe (UNICE), and the European Round Table of Industrialists (ERT) exult over the new economic governance model for the European Union.

The ongoing de-democratisation of the economic politics, as well as the attacks on the trade-union movement undertaken in order to prepare the ground for the anti-social, austerity policies, represent developments that we have hardly seen since fascism was defeated in Europe. Four previous judgments (see below) of the European Court of Justice have all contributed to the restriction of trade-union rights in the European Union, including the legal right to take industrial action. Add to this that the political authorities in at least ten EU member states already have implemented pay cuts in the public sector by setting aside collective agreements without negotiating with the unions, and the gravity of the situation becomes clear. An increasingly authoritarian Europe is emerging.

### **The European Union as a Barrier**

Can this development be stopped? Is it possible to save Social Europe from the ongoing massive attacks on welfare and workers' rights? Is it possible to mobilize social forces across Europe which can curb the massive attacks of capitalist forces and their political servants, with the aim of shifting power relations, and eventually creating the basis for a social offensive?

To say something concrete about this, we will have to look more closely at the challenges and barriers facing trade unions in the social struggle. What is it that restrains them from moving in a strong and coordinated manner into the fight to at least defend the social achievements that were won through the welfare state? It is necessary then to look at some important external barriers, as well as at weaknesses, within the movement itself.

There is a growing realization that the European Union itself creates a

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number of impediments, not only for economic and social development in Europe, but also for the social struggle. We will consider six such barriers:

### Democratic Deficit

The first barrier is the democratic deficit, which has been there from the very beginning but has increased in recent years. Officially, the message from the European Union and its member states' governments, with the support of the European Trade Union Confederation (ETUC) and other parts of the European trade-union movement, is the opposite. They claim that the Lisbon Treaty of 2007 took an important step towards increasing democracy in that the elected European Parliament had its authority widened in a number of areas.

In the opposite direction, however, some member states were more or less put under administration of the European Central Bank and the European Commission, with support from the IMF, in the wake of the financial crisis. Furthermore, the Parliament has been sidelined in much of the process to develop the new pacts and institutions described above. Finally, the new authority granted to the Commission to impose economic sanctions on member states that do not follow the strict (and financially and politically damaging) stability criteria will transfer power from democratically elected parliaments at the national level to the non-elected Commission, and thus further de-democratize the decision-making process in Europe.

### Constitutionalized Neoliberalism

Second, neoliberalism has been constitutionalized as the economic system of the European Union through the Treaty of Lisbon and former treaties. Capital's freedom of movement and right of establishment are carved in stone, and all other considerations are subordinated to this principle, which we clearly have seen in the labor market (see below). Free competition is another basic principle in the EU treaties. In recent years this has also increasingly been applied to the services market, which differs from the commodity market in the way that trade in services mainly deals with the buying and selling of mobile labor power.

It has long been a common saying on the European political left that socialism is prohibited by the EU treaties. With the stability criteria, and the new sanction regime to force member states' structural budget deficit below 0.5 percent and government debt below 60 percent of GDP, we can conclude that traditional Keynesianism, or what we may call traditional social-democratic economic policy of the post-war period, is not allowed. This represents a dramatic curtailment of democracy in the EU member states and represents a major step towards a more authoritarian, neoliberal European Union.

### Irreversible Legislation

Third, the European Union decision-making process makes the above principles and decisions virtually irreversible. While all member states have some institutionalised protection for their own constitutions—for example by requiring qualified majority (either two-thirds or three-fourths) to change the constitution—in the European Union it has to be full agreement (e.g., 100 percent of the twenty-eight member states) to change it. This means the possibility of changing any of the EU treaties in a progressive direction through ordinary political processes is virtually nonexistent. One right-wing government in one member state can prevent this.

### The Euro as an Economic Straitjacket

Fourth, the existence of the euro, currently in seventeen of the twenty-eight member states, puts many of the countries into an economic straitjacket. As long as the economy and productivity develop differently in member states in the Euro Zone, and there is no large common budget to reduce economic inequalities, countries will need quite different monetary policies. Today it is Germany, Europe's "economic locomotive," which benefits most from this, with its strategy of exporting its way out of the crisis; meanwhile the most crisis- and debt-ridden countries—such as Greece, Ireland, Italy, Portugal, Spain, and Cyprus—are the losers. The latter have no domestic currency to devalue and thereby make their exports cheaper and imports more expensive. Those countries with higher domestic consumption and weaker competitiveness are forced to conduct a so-called *internal devaluation*, that is, to increase competitiveness through wage cuts and cuts in public expenditure. This is certainly in line with the EU neoliberal project, but it is devastating to the countries' economic and social development. This economic straitjacket can also contribute to the development of contradictions between workers in countries in need of very different policies.

### Lack of Simultaneousness in the Decision-Making and Implementation Processes

Fifth, the lack of simultaneousness in the decision-making process between the EU member states constitutes a barrier to developing cross-national mobilizations of trade union and social movements against many of the neoliberal and reactionary policies. Although much of the policy within the European Union is adopted by EU institutions, it is carried out in such a way that implementation is made at different times in different member states. The attacks and weakening of the pension systems, for instance, occurred over time and in different forms from country to country, based on recommendations from the European Union, but not through direct legislation. This makes it impossible to create a single European mobilization against these attacks.

The same applies to much of the European Union's privatization policy. The European Union seldom makes decisions on direct privatization; it decides to liberalize, or to apply its competition rules to ever more areas of society. One of the effects is privatization, as we have seen in energy, transport, and telecommunications. Further, the implementation of these policies takes place at different times and ways in different states, thus making it difficult to mobilize coordinated resistance across Europe.

The very special legislation process constitutes further problems. Directives are not applied in the member states directly; rather, the content of the directives has to be transposed into the laws of each member state. As if this is not enough, EU legislation is written in an almost impenetrable bureaucratic language. This reality is often exploited by national governments and politicians, who play down the effects of various legal proposals, which later turn out to have widespread negative effects.

### The Extended Role of the European Court of Justice

Sixth, the European Court of Justice has recently taken on a more extensive role in reinterpreting and effectively expanding the scope of some EU treaties and legislation, particularly regarding trade in services, that is, trade in mobile labor power. In this context, it is important to understand the application of the four judgments that were made between December 2007 and the summer 2008—the Viking, Laval, Rüffert, and Luxemburg cases—all of which contributed to limiting trade-union rights, including the right to strike.

Before these judgments, the dominant view was that labor laws and regulations lay outside the EU domain. They belonged to the jurisdiction of the nation states. Through the four judgments, the opposite has clearly been established: labor market regulations are subordinate to EU competition law and to capital's free movement and right of establishment. The judgments have also had the effect of transforming the so-called Posting of Workers Directive from a minimum to a maximum directive regarding the wages and working conditions that will apply to workers in companies established in one member state while they carry out work in another.

This directive prescribes that wages and working conditions of the host country should apply. However, according to the above mentioned judgments, this has now changed to include only *some* of the minimum conditions regarding wages and working conditions, thus contributing to social dumping in Western Europe—undermining both wage levels and labor protection laws which have been achieved through trade union struggle over many decades. This has first and foremost been the case in the construction industry as well as in service sectors such as hotels, restaurants, and transport.

The enormous wage gap between countries in a now single European

labor market is what really spurs this development—to a considerable degree protected by EU legislation. ILO Convention 94, which intends to secure wages and working conditions in similar cases, was simply ignored by the European Court of Justice. Add to this the high level of unemployment and the extreme exploitation that many individual workers from Eastern Europe are exposed to in Western Europe, both legally and illegally, and we can easily understand how trade unions are being weakened and social regression has become the order of the day in ever more European countries.

### **The European Union Is Threatening the Unity of Europe**

Taken all together, we now see an extremely dramatic and serious situation in Europe. While the establishment of the European Union's predecessors, the European Coal and Steel Community and the European Economic Community, were based partly on the desire for peace in Europe in the wake of the two world wars, the EU project of the European elites today is bringing about a formidable economic, social, and political polarization. The so-called *European Social Model* is breaking down. We are thus faced with the paradoxical situation that the "peace project EU" is currently the greatest threat to Europe's unity, not on a national, but on a social, basis. However, we cannot ignore the possibility that, in certain situations, the result will be rising national antagonisms. Given the history of Europe, the European economic and political elites are playing with fire.

With all the barriers summarized above, it is also an open question whether or not it is realistic to believe that the European Union as a whole can be changed from within through a broad pan-European mobilization. Maybe it will be necessary for individual countries to leave not only the euro but the European Union itself in order to save their economies and their people's welfare. If so, it will be essential that trade unions and popular forces massively mobilize for a Europe based on democracy, unity, solidarity, and cohesion, and thereby counteract the possibility of total European disintegration.

### **Internal Political-Ideological Barriers**

Although the European Union presents important external barriers to the social struggle, there are also internal barriers that prevent trade unions from fulfilling their historic tasks. This is not just on the political-ideological level, but also concerns the traditions and organizational structures that are no longer as effective in meeting the new challenges under the global neoliberal offensive: the international restructuring of production, the increase in precarious work and migration, and the deregulation of labor markets.

On the political-ideological level, the situation is strongly affected by the crisis on the left, including the fact that *social partnership* and *social dialogue*

have largely been developed into an overall ideology in dominant parts of the labor movement at both the European and national level. This means that social dialogue has been given an exalted position as the way to promote workers' interests, completely decoupled from an analysis of specific power relations and how they can promote or prevent the possibilities of workers gaining ground. Thus, the social-partnership ideology is also to a high degree unlinked from the recognition that social progress in the current situation can only be achieved through extensive social mobilization.

The criticism of social dialogue and the social-partnership ideology is, of course, not a criticism of unions discussing and negotiating with employers. These things they have always done, and they must continue. The criticism concerns the fact that social dialogue, always one of many tools in the labor movement's toolbox, has been turned into the main strategy. And, in effect, labor has taken very specific historical experiences and behaved as if these were true for all time in terms of ideological guidance. When social dialogue produced results in many countries, especially in the first decades after the Second World War, it was precisely because of the power shift that had taken place in favor of the working class and the trade-union movement in the period before.

The class compromise and social dialogue were, in other words, the *results* of mobilization, harsh confrontations, and considerable shifts in the balance of power. However, in the current ideological version labor leaders portray them as the *causes* of increasing influence for workers and trade unions. This analytical mismatch creates ideological confusion in the trade-union movement, as, for example, in this statement of the ETUC: "The EU is built on the principle of social partnership; a compromise between different interests in society—to the benefit of all" (emphasis added).<sup>6</sup>

In face of the massive attacks that employers and governments are now waging against unions and social rights, such ideological claims are being put under increasing pressure. There is little doubt that the capitalist forces in Europe have withdrawn from the historic compromise with the working class, as they are now attacking agreements and institutions that they previously accepted in the name of the compromise. Nevertheless, the social partnership ideology is still deeply rooted in wide circles of the European trade-union movement, as the following remarks by (the now-retired) ETUC General Secretary, John Monks, so well illustrate. The starting point was a reference to some tendencies of the U.S. labor movement, where activists were campaigning for wider social goals:

There may be similar opportunities in Europe, says Mr Monks, if unions can move beyond their old-fashioned enthusiasm for street protests to campaign for policy changes that broadly benefit workers. "Given the



tough labor market, and desperate employers, this is not a time for huge militancy," he says. Instead, "it is a time to demand frameworks of welfare benefits, training, consultation and to put in place fairer pay systems, so that when the economy does recover there is no repeat of the surge in inequality that took place in the past decade."<sup>7</sup>

Remarkably, Monks's comments were made long after the financial crisis had led to an intensified level of conflict in several European countries. How Monks thought to achieve *better social benefits and fairer pay systems* without the need for *old-fashioned street protests, militancy*, and the like, is not clearly evident from the interview. Maybe he meant that this could be achieved by offering additional concessions to employers? In any case, the ETUC went so far, even for them, as to sign an extraordinarily weak joint statement with the various employers' organisations in Europe in connection with the preparation of the EU 2020 strategy. This happened in the summer of 2010, after the Greek unions had carried out several general strikes, as the Spanish unions prepared their general strike, and while the preparations of the French unions for their fight against a pension reform were in full swing. The statement called for:

An optimal balance between flexibility and security.... Flexicurity policies must be accompanied by sound macroeconomic policies, favourable business environment, adequate financial resources and the provision of good working conditions. In particular, wage policies, autonomously set by social partners, should ensure that real wage developments are consistent with productivity trends, while non-wage labor costs are restrained where appropriate in order to support labor demand.... [Regarding public services,] accessibility, quality, efficiency and effectiveness must be enhanced, including by taking greater benefit from well balanced public-private partnerships and by modernising public administration systems.<sup>8</sup>

To demand that *non-wage labor costs are restrained* and to legitimize privatization through *public-private partnerships* in this way—in a situation characterized by crisis, increased class confrontations, and massive assaults on public services—confirms that submission to social dialogue as a main strategy in the current situation can have nothing but demoralizing effects on those who want to fight against social regression.

Another internal barrier for many trade unions is their attachment to the traditional labor parties. The move by these parties to the right, as well as the general political and ideological crisis of the left described above, also affect the trade unions. They have reacted differently to these developments, however. In many countries (like Norway, Sweden, the United Kingdom), the loyalty between the national trade union confederations and the social democratic parties is still solid, while in others it is weaker.

Alone among the Nordic nations, the Danish Trade Union Confederation has declared itself formally independent of the Social Democratic party, but without adopting more radical positions. In the United Kingdom, some unions, like the British National Union of Rail, Maritime and Transport Workers, have broken with social democracy and established themselves in a clearly more leftist and militant position. In Germany, the Schröder (so-called red-green) government (1998–2005) carried out comprehensive attacks on the social-welfare system, and this has led to a deep breach of trust between the Confederation of Trade Unions (*Deutscher Gewerkschaftsbund*, the DGB) and the Social Democratic Party (SPD). While the party was in opposition it tried to approach the trade-union movement again, which is not an unusual strategy, but it received a rather cool reception from the DGB's leader, Michael Sommer: "The problem for the SPD is unfortunately that they suffer from a lack of credibility. They were in power until September last year and were involved in many of the decisions we feel are wrong. They still have a long way to go before they have restored confidence."<sup>9</sup>

The most extreme experiences with social democratic parties in government, however, have been in Greece, Spain, and Portugal. Considering how those parties so easily could implement their massive attacks on the welfare state and the trade-union movement, it might be time for broader sections of the labor movement to reconsider their strong ties to social democracy. At least, it is difficult to imagine that the close relationship between the trade-union movement and social democracy can be the same in Europe after these experiences, despite having lived down many deep conflicts in the past.

### Increased Resistance

Widespread deregulation, the free movement of capital, and the crucial role played by global and regional institutions in the neoliberal offensive necessitate a global perspective and coordination of resistance across borders. Only in this way can we prevent workers in one country from being played against those in another, groups against groups, and welfare levels against welfare levels. Coordination of resistance across borders, however, requires strong and active movements at the local and national level. There is no abstract global fight against crisis and neoliberalism. Social struggles are internationalized only when local and national movements realize the need for coordination across borders in order to strengthen the fight against international and well-coordinated counter-forces. But international coordination presupposes that there is something to coordinate. In other words, organizing resistance and building the necessary alliances locally are decisive as a first step.

The social struggle in Europe is in the process of moving into a new

phase. The crisis sharpens the contradictions and provokes confrontations. General strikes have again been put on the agenda in many countries, especially in Greece, where the population has been subjected to draconian attacks that threaten their basic living conditions. In Portugal, Italy, Spain, France, Ireland, Belgium, Romania, Bulgaria, Slovenia, and the United Kingdom, general strikes and/or massive demonstrations have been carried out. The most promising development so far was the general strike that was carried out simultaneously by trade unions in six EU countries (Portugal, Spain, Italy, Greece, Cyprus, and Malta) on November 14, 2011, while unions in other countries also held demonstrations or more limited strikes.

Although so far the outcome of these battles is pretty vague, it is in these struggles that we find hope for another development: alliances with other new and unconventional social movements, especially among young people, as we have seen with Spain's *Los Indignados* and in Portugal. One thing has at least become clear: the European social model, as we know it from its heyday, has been abandoned by the European elites, even if some of them are still paying lip service to the trade-union movement.

Even if there are many barriers to a Europeanization of the social struggle, there have been some examples of all-European campaigns organized by trade unions and social movements across national borders. One example was the fight against the EU Port Directive, which was voted down in the European Parliament in 2003 and in 2006, after pressure from below in strikes and demonstrations. Another was the struggle against the Services Directive, which, while not rejected, was modified as a result. The fight against the EU Constitution (later the Lisbon Treaty) also faced a certain Europe-wide resistance, although mobilization was largely based where it ultimately prevailed, first in France and the Netherlands, and later in Ireland.

The dramatic attacks on trade unions and welfare now taking place actually contribute to strengthening the voice of a number of European trade union leaders. The Deputy General Secretary of the European Public Services Unions, Willem Goudriaan states that the Euro Plus Pact represents "an interference in collective bargaining which we have never before seen in the EU." Even the cautious ETUC General Secretary, John Monks, who in 2009 said that all had "become social democrats or socialists now," changed his tune shortly before his retirement in 2011 and characterized the Euro Plus Pact in this way: "EU is on a collision course with Social Europe.... This is not a pact for competitiveness. It is a perverse pact for lower living standards, more inequality and more precarious work."<sup>10</sup>

That in 2011 the ETUC, which has always been very European Union-friendly, for the first time in the history of the European Union urged the European Parliament to reject a proposed treaty change, is a further indication that a change is underway. This could contribute to a questioning of the

legitimacy of the European Union among European workers. The actual treaty amendment concerned the setting up of the European Union's emergency fund (European Stability Mechanism), whose task is to lend money to member countries in crisis. There was no such mechanism in place when the Greek crisis unfolded, and instead the European Union improvised. The ETUC rejected the proposal because this pact contained nothing in the direction of what might be called a Social Europe, which is becoming an increasingly distant goal.

With continued draconian austerity policies and deeper economic, social, and political crises, there is a possibility of growing contradictions within social democracy, as well as within the trade-union movement in Europe. We perhaps got a taste of this during the ETUC Congress in Athens in May 2011, when the most militant sections of the trade-union movement demonstrated in front of the Congress building, accusing the ETUC of betraying the fight and asking them to go home.

On the political-rhetorical level, there is an ongoing radicalization of the messages from the European trade unions in response to the economic crisis, backed up with some symbolic demonstrations, organized by the ETUC in Brussels on September 29, 2010, in Budapest on April 9, 2011, and in Wrocław on September 19, 2011. Much remains to be done, however, before this is followed by a more committed and widespread social mobilization, where trade unions put to use their most effective methods of struggle to enforce their claims.

This lack of trade union action is not, of course, only the responsibility of individuals in the leadership of the international trade union organizations. The ETUC board consists of representatives from a number of national trade unions, and the decisions have broad support among them.<sup>11</sup> The new situation is a result of enormous shifts in the balance of power in society, the crisis, and intensified class contradictions that have removed the basis for a continuation of the policy of the social pact in the post-Second World War period. The capitalists have changed strategy, but the trade-union movement has not. To acknowledge this and take into account the consequences of it is one of the main challenges of the trade-union movement today.

### What Has to be Done?

The political shift towards the right and the political-ideological crisis on the left mean that the trade-union movement itself has to play a more central, independent, and more offensive political role—political not in the party sense, but in the sense that it assumes a broader political perspective in the social struggle. The greater part of the trade-union movement is not prepared to take on such a role today, but it holds the potential. A development in this direction requires that the trade-union movement go through a process of change, not least because of the new conditions for struggle created by global

restructuring, neoliberalism, and crisis. In the medium term a reorganization of the political left will also have to be put on the agenda.

If social progress and democratization are our goals, the ongoing economic and social crises have opened the door wide. As the crisis unfolds, the need for a new and radical political course is actually growing day by day. It assumes, however, that trade unions are able to recreate themselves politically and organizationally. The immediate task is to meet the confrontational attacks from capitalists and their political servants, to wage the defensive fight against the massive attacks on wages, pensions, and public services. In the long term, however, this will not be enough, as the Scottish Socialist Murray Smith so rightly points out:

In whatever scenario there is a structural weakness of the workers' movement, which gives the advantage to the government and the ruling class. The weakness is political and lies in the absence of a credible, visible political alternative to neo-liberalism. Such a political alternative is not a pre-condition for resisting attacks in the short term, perhaps even winning battles. But at a certain point the absence of a coherent alternative has a demobilizing effect. This problem predates the present crisis, but the crisis has made it a much more urgent question. What is necessary is the perspective of a governmental alternative incarnated by political forces that have a credible possibility of winning the support of the majority of the population, not necessarily immediately, but as a perspective. Such a political programme would involve organizing the production of goods and services to meet the needs of the population, democratically decided. That means breaking the stranglehold of finance on the economy, creating a publicly owned financial sector, re-nationalizing public services, a progressive taxation system, measures that challenge property rights.<sup>12</sup>

The vision of an alternative development of society is important, then, to provide inspiration and direction for the ongoing struggle against the crisis and social regression. It is uncertain, however, that a lack of alternatives is the main problem. There are a great many elements for an alternative developmental model. The alternative to privatization is not to privatize. The alternative to increased competition is more collaboration. The alternative to bureaucracy and control from above is democratization and participation from below. Alternatives to increasing inequalities and poverty are redistribution, progressive taxation, and free, universal welfare benefits. The alternative to the destructive speculation economy is socialization of the bank and credit institutions, the introduction of capital controls, and the prohibition of dealing with suspect financial instruments. The list can be made much longer than this.

Rather than a lack of alternatives, it may also be a question of the ability

and will to carry out the mobilization and make use of the resources that are necessary to enforce them. Here, it is important for there to be a political showdown with the ideological legacy of the social pact—that deep-rooted social partnership ideology and belief in social dialogue as the best way of resolving social problems for the benefit of all, as the expression goes.

The working class, the trade unions, and other popular forces are now facing a brutal power struggle, which was started from above. The constant tendencies to canalize the response of the unions to these attacks into the political power vacuum that the social dialogue at present represents at a European level, does little else than weaken the capacity of the unions to mobilize. From this angle, there is much to suggest that it is the ability, rather than the possibility, that is the most important challenge the trade unions now face. The time has come, in other words, to stake out a new course for the trade-unions' struggle, as was suggested by the Basque trade union organizations on January 27, 2011, when they carried out their second general strike in less than one year:

We have come out to the streets, have gone on strike twice and will continue mobilising. Because we do not want the future of poverty they have prepared for us. They threatened us by saying after the crisis nothing would be the same again. So making things different is in our hands. It is necessary to continue fighting for a real change, for a different economic and social model in which [the] economy works in favour of the society.<sup>13</sup>

We have seen before that social struggles develop new leadership and new organizations. Although right-wing populists and authoritarian tendencies predominate in the European Union today, the anti-social policies of the elites can also provoke social explosions, especially in southern Europe. It can open the possibility for other developments, where the goals are more fundamental changes of power and property relations and a deepening democratization of the society. The battle is between a more authoritarian and a more democratic Europe. For the time being, the authoritarian tendencies have the upper hand, but power relations can change again.

### Notes

1. John Vinocur, "On the New European Economic Road Map, There's Not Much Left of the Left," *New York Times*, November 24, 1998, <http://nytimes.com>.
2. "NEWSWEEK Cover: We Are All Socialists Now," February 8, 2009, <http://pnnewswire.com>. The cover appeared on the February 16, 2009 *Newsweek*.
3. "In From the Cold?," *Economist*, March 12, 2009, <http://economist.com>.
4. For a more comprehensive discussion of this phenomenon, see Asbjørn Wahl, "To Be in Office, But Not in Power: Left Parties in the Squeeze Between People's Expectations and an Unfavourable Balance of Power," in Birgit Daiber, ed., *The Left in Government: Latin America and Europe Compared* (Brussels: Rosa Luxembourg Foundation, 2010).
5. Michael Hudson, "A Financial Coup d'Etat," *Counterpunch*, October 1–3, 2010, <http://counterpunch.org>.
6. "ETUC: The European Social Model," <http://etuc.org>.
7. "In From the Cold?"

8. European Social Partners, "Joint Statement on the EU 2020 Strategy," June 3, 2010, <http://etuc.org>.
9. Quoted in Terje I. Olsson, "Mer lønn og forbruk skal løse krisen" [Higher Wages and Consumption Are Going to Solve the Crisis], *Fri Fagbevegelse*, October 8, 2010. Originally <http://frifagbevegelse.no>; available via <http://archive.org/>.
10. ETUC press release, "EU on a 'Collision Course' with Social Europe and the Autonomy of Collective Bargaining," February 4, 2011, <http://etuc.org>.
11. There are also those who argue for more offensive positions, as, for example, the General Secretary of the European Transport Workers' Federation (ETF), Eduardo Chagas, has been taking inside the ETUC board over the last few years. Lately, some of the south European trade unions also have pushed for an all-European general strike. It is worth noticing that the Nordic trade-union confederations have brought up the rear in these discussions.
12. Murray Smith, "Den europæiske arbejderbevægelse under angreb!" [The European Labor Movement Under Attack!], *Kritisk Debat*, no. 56, June, 2010, <http://kritiskdebat.dk>. [my translation]
13. Joint leaflet from the Basque trade unions ELA, LAB, STEE/EILAS, EHNE and HIRU, which carried out a one-day general strike against pension cuts and attacks on the welfare state. See <http://labournet.de>.



## MONTHLY REVIEW

## Fifty Years Ago

The composite picture of the late President Kennedy which comes through from the many eulogies and biographical sketches which have appeared in print and over the airwaves in the weeks since his death is that of a man of genuinely outstanding qualities.... And yet if we look at the record of accomplishment during Kennedy's three years in the White House, there is very little which, by anyone's standards, could be considered positive. About all that can be said is that he and his administration did put out a remarkable stream of speeches, messages to Congress, testimony before Congressional Committees, departmental reports, etc., describing and analyzing the nation's economic and social problems in great detail and with a wealth of supporting facts and figures.... But Kennedy's legislative proposals for solving the problems and remedying the evils revealed in his and his associates' utterances were all of the "too little and too late" variety; and very few were finally enacted into law, even in a watered-down form....

Kennedy came to Washington as an ardent believer [in the beneficent instrumentality of U.S. institutions]; if [James] Reston can be credited, he stayed long enough to learn, from his own experience, the disillusioning truth. Nothing, it seems to us, could more convincingly demonstrate that he was indeed a man of remarkable stature. Loyal to the system and sworn to uphold it, yet possessed of the guilty knowledge that it is powerless to remedy the evils that lie all around us, John Kennedy, had he lived, might have scaled the heights of genuine tragedy.

—Paul M. Sweezy, "Kennedy: The Man and the President,"  
*Monthly Review*, January 1964

# Who has little, let them have less

Marge Piercy

The hatred of the poor, is it guilt  
gone rancid? That the rich have  
so much and still conspire to steal  
a baby's medicine, a woman's  
life, a man's heart and kidney.

When those Congressmen talk  
of people who are counting  
their last change for gas or eggs  
choosing between cold and hunger  
they snarl. How dare we exist?

If they could push a button,  
if they could war on the poor  
here at home as they do abroad  
directly with bombs instead of  
legislation, think they'd hesitate?

The righteous anger fermenting  
in them boils over in cuts to what-  
ever keeps people alive. They punish  
those who have little with less:  
a vast legal bus to run us over.

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MARGE PIERCY is the author of eighteen poetry books, most recently *The Hunger Moon: New & Selected Poems, 1980–2010* from Knopf. Her most recent novel is *Sex Wars* (Harper Perennial) and PM Press has republished *Vida* and *Dance the Eagle to Sleep* with new introductions.



## Prashad at Large

Paul Buhle

Vijay Prashad, *The Poorer Nations: A Possible History of the Global South* (New York: Verso, 2012), 280 pages, \$26.95, paperback.

Vijay Prashad is a literary phenomenon. Not only a political scholar and Chair of South Asian History at Trinity College, he is best known to web crawlers from Detroit to Delhi as a keen polemicist, political commentator, and culture critic at large—writing on everything from literature and sports to comics. Even among the younger generation of intellectuals and brilliant writers from the South Asian subcontinent, who have in the last decades so richly replenished the left in U.S. academia, Prashad stands out. He is rarely dour, even describing the worst of circumstances with flair. Prashad is altogether serious, but his prose floats along and we float with it, thoroughly enjoying the trip.

Former UN Secretary General Boutros Boutros-Ghali sets the tone in his introduction to *The Poorer Nations*, arguing that the moment has arrived for scholars from the underdeveloped world of plundered resources and impoverished people to make the necessary statements themselves, rather than leaving that work to the first world left. Boutros-Ghali makes one other important point: that Prashad is hard at work rediscovering the hopes of earlier decades, the moment of anti-colonialist hopes, of common feeling among various nationalities and nations freeing themselves and looking forward to a kind of communitarian developmental process that was, often enough, called “socialism.”

Prashad at once recalls the Haitian Revolt of the “Black Jacobins” as changing world history, and the Russian Revolution as sending out the call, on behalf of most of the world, for Peace, Bread and Land—a set of demands that the West (or North) was never going to accept willingly. Instead, as Daniel P. Moynihan heard from Henry Kissinger, the third world projects proposed at Bandung in 1955 by delegates of the developing world simply had to be turned back. The United Nations would be used or manipulated through various departments into the proper control of the South by the logic of business. UN Ambassador Moynihan put his prestige, energy, and influence to this task,

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albeit at vast human and ecological cost, and not all of it spent (or wasted) in the South alone.

The hoped-for New International Economic Order became, thereby, a New International Property Order, under many names. The hoped-for emergence of prosperous populations became the permanent austerity order. The scarcely discussed issues of ecology or sustainable development were, of course, not even on the American bipartisan agenda.

The business-first leaders did not get their way entirely, of course. There was Russia, for a while, and more than a few authentic radical, revolutionary efforts. Then—that is to say in the recent past—arrived the definitely non-radical but still formidable BRICS alliance (Brazil, Russia, India, China and South Africa). Military dominance, for the present, remains in the hands of the United States and its mostly servile partners. The United Nations has not become more democratic, at least not yet. And, most painfully, Chinese leaders abandoned any vision of socialism, instead putting themselves into a different kind of drivers' seat (with many millions more cars on China's own roads, hastening global warming). Still, the situation for the global South is starkly different from, say, 1950 or 1980, and absolutely unstable.

The bulk of *The Poorer Nations* rolls out the details and implications of this overview, with great precision and lucidity. The text could be five (or ten!) times longer but the details here are convincing. For instance, Prashad analyzes the liberalism of the 1960s and '70s, put forward by the likes of Germany's Willy Brandt, bridging or seeking to bridge the gap between North and South without upsetting the power balance very much; now this seems centuries away. So does the more radical version, with the Socialist International, headed by Michael Harrington, in ardent support of Jamaica's avowedly socialist prime minister, Michael Manley. The social democratic parties of Northern Europe were still sincere and hopeful, if naïve in not yet grasping their own impending demise as working-class institutions.

The dream fell apart and, from the U.S. end, was in its most democratic promise always intended to fall apart. The Security Council substituted itself for the United Nations as decision-making body even before the 1970s, leaving the global South to debate without influence on the IMF among other bodies. The new states were to be integrated into the world economy, effectively dissolving their own economic identities and choices; the great powers could never be expected to do such a thing. Bandung raised visions of something else, traditions of egalitarianism and the promise of the early United Nations, no matter how often disappointed. The Oil Crisis and OPEC could be anti-hegemonic without being socialist in the least. But the West still had Iran's Shah in their pocket, just the kind of regime that the Tri-Lateral Commission felt represented a different, more controllable future. Then the Shah fell.

Liberalism, including the kind represented by the Club of Rome, seeking to reduce the distance between wealthy and poor nations, was now badly out

of date. Moynihan had laid out, in the pages of *Commentary* magazine, a different future. The third world was *the* problem of civilization, not really powerful but powerful enough, for instance, to suspend Apartheid-era South Africa from the United Nations. Like the black population at home, the third world had proved itself immature, irrational, incapable of responsibility. Following his lead, the United States ran over its own previous treaties as if they no longer existed. The United States claims that global efforts to control population or protect the seabeds, for instance, became improper interference with natural processes—including the “natural” expansion of transnational corporations and their influence and control in large sections of Africa, Asia, and Latin America.

Neoliberalism was coming of age. Unrest was a given certainty, the price of enforcement. Efforts to get around the realities, or adjust to them, might be summed up in the Brandt Report as “Global Keynesianism,” out of date at the moment when it appeared in 1979, in part because Willy Brandt disdained the expansion of military spending and arms sales, in larger part because the global poor were to be excluded from the conversation, not drawn further in. Henceforth, as Prashad puts it, the “impoverished in the South would require low-wage goods that they could afford to buy, which would themselves not be produced in the high-wage factories of the North” (73). It was a trap. Funds coming from the North to stimulate low-wage production would be absorbed quickly by rising elites of these districts, while living standards for the masses continued to fall. Scandinavia would not be created in the Tropics.

The consequences, of course, are grim and take up much of the rest of this volume. In an era when Friedrich Hayek and Milton Friedman became the philosopher-economists of the West’s deepest thoughts—none too deep—all resistance had to be swept aside. Going back to the days of Nyerere, the proclamation of a “strategy of solidarity” to oppose this logic was more rhetoric than practice, and as much self-defense as vision of something better for the majority of the world’s inhabitants. The South could not enter the world market on anything like an equal basis when it came to emerging technologies, and suffered a constant brain drain. Slum dwellers rising up against their rulers were crushed, perhaps just as often by self-avowed liberals as conservative governments. NGOs, created to bypass self-serving bureaucracies, usually depended upon donors who reinforced the logic of the North on issues like poverty and unemployment.

And then there were blunders that invited further micromanagement of the South. Saddam Hussein’s Iraq invading Kuwait was one of these, because the United States was as much as invited into oil country to work its will. What Prashad calls “Neoliberalism with southern Characteristics” (10) became, finally, the order of the day, one might say late in the day. The important decisions had already been made.



Commentary from

**Monthly Review**

December 2013, Vol.65, No.7

***An Independent Socialist Magazine Founded in 1949***

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On November 16, 2013, Paul Krugman published a piece on his *New York Times* blog entitled "Secular Stagnation, Coalmines, Bubbles, and Larry Summers," consisting of an extended commentary on former Clinton Treasury Secretary and Obama economic advisor Lawrence Summers's November 8 presentation to the IMF's Economic Forum. Summers's main contention in his speech was that four years after the start of the economic recovery the jobless situation in the United States was so bad that "the share of adults who are working has not increased at all" (for evidence of this see the jobless rate charts in the Review of the Month in this issue of *MR*). This raised fundamental issues for economics. One of these was that it was evident based on the experience of the previous two decades that financial bubbles were now needed simply to reach anything like a full-employment economy. Further, it was necessary under these circumstances, he argued, to reach back into economic history to a "set of older ideas" that had long been "rejected," namely views "that went under the phrase secular stagnation."

Krugman, in following up on Summers's IMF speech, highlighted Alvin Hansen's theory of secular stagnation in the 1930s to '50s. Long-term economic stagnation, Krugman acknowledged, was now "the norm" for the economy, not the exception. Under these circumstances, he suggested, even economic waste or "unproductive spending" was useful if it could get the economy going again—not excluding the stimulative effects of financial bubbles. Writing in a fashion that could have come straight out of *Monthly Review* at any point in the last forty years, he declared: "We now know that the economic expansion of 2003–2007 was driven by a bubble. You can say the same about the later part of the 90s expansion; and you can in fact say the same about the later years of the Reagan expansion, which was driven at that point by runaway thrift institutions and a large bubble in commercial real estate." But in trying to understand how stagnation itself came about and created this whole irrational set of economic

conditions, Krugman looked at only one part of Hansen's argument, focusing simply on demographic factors. He thus failed to draw attention to the much more important problem of investment under conditions of overcapacity and mature industry, as well as the whole question of monopolistic/oligopolistic capitalism—all of which were taken seriously at some level by Hansen, and were developed in a far more radical way by socialist thinkers such as Michał Kalecki, Joseph Steindl, Paul Baran, and Paul Sweezy. On the significance of these analyses for the understanding of the present economic stagnation, see John Bellamy Foster and Robert W. McChesney, *The Endless Crisis* (New York: Monthly Review Press, 2012).

The three lead articles in this issue of *MR* all address in various ways the declining position of labor in the world of today. The first two are concerned especially with the declining labor share of income that has arisen, under very different conditions, in both the United States and China. This suggests that the dramatic fall in the labor share is a phenomenon associated with the system of global monopoly-finance capital as a whole, and not confined to any one nation or part of the world.

Recent economic studies strongly confirm this. The Organisation of Economic Cooperation Development (OECD) pointed out in its *Economic Outlook, 2012* that the drop in the labor share has affected “nearly all” of the developed economies, while the International Labor Organization (ILO) added in its *Global Wage Report, 2012/2013* that this is “even more pronounced in many emerging and developing countries.” An October 2013 study published by the National Bureau of Economic Research (NBER), entitled “The Global Decline of the Labor Share,” indicates that out of a sample of fifty-nine countries, forty-two had experienced “downward trends” in recent decades in their corporate-sector labor shares, including not only the wealthy economies, but also emerging countries such as China, India, and Mexico. A global race to the bottom in labor shares is therefore a structural reality of today's capitalism—one that is occurring throughout the world system and is inseparable from deepening economic stagnation.

The reports of the OECD and the ILO—along with a September 2013 working paper issued by the Federal Reserve Bank of San Francisco on “The Decline of the U.S. Labor Share”—stress that the decline in the labor share is occurring *despite* the fact that such data include as total compensation to labor the gargantuan salaries, bonuses, and stock options of the top 1 percent which have been growing hand over fist. In the words of the ILO, “Labour shares, as measured in the UN System of National Accounts...underestimate the fall in the proportion of labour compensation going to workers paid below the median wage. If the labour compensation of the top 1 percent of income earners was excluded from the computation, the drop of the labour share would appear even greater. This reflects the sharp increase, especially in

English-speaking countries, of the wages and salaries (including bonuses and exercised stock options) of top executives, who now cohabit with capital owners at the top of the income hierarchy.” The Federal Reserve Bank of San Francisco discovered (as reported in the Review of the Month for this issue), that simply excluding the top 1 percent from U.S. labor income results in a 10-percentage-point drop in the labor share of the bottom 99 percent by 2010 compared to the pre-1980s period.

The ILO goes on to stress in its *Global Wage Report* that the worldwide decrease of the labor share of income over the last few decades finds its “mirror image” in “the increase in the capital share of income.” Although the ILO itself does not explicitly draw this conclusion, it is obvious that it is this increase in the global capital share which lies behind the overaccumulation of capital that constitutes the chief contradiction of capitalism in our time. (OECD, *Economic Outlook*, 2012, 109; ILO, *Global Wage Report*, 2012/2013, 43–44; Michael W.L. Elsby, Bart Hobijn, and Aysegül Sahin, “The Decline of the U.S. Labor Share,” Federal Reserve Bank of San Francisco, Working Paper 2013–27 [September 2013], 31; Loukas Karabarbounis and Brent Neiman, “The Global Decline of the Labor Share,” National Bureau of Economic Research, Working Paper no. 19136 [June 2013], 1.)

For a number of years the theory of imperialism has been in disarray as the big shifts in political economy in the age of globalized monopoly-finance capital have demanded new systematic attempts to confront the changing reality at the global level, while building on the powerful political-economic critiques of the past. Fortunately, several important works have recently come out that reflect radical innovations in imperialism theory that are now taking place. Monthly Review Press has just published this fall two new books by Samir Amin: *The Implosion of Contemporary Capitalism* and *Three Essays on Marxian Value Theory*—both building on his 2010 Monthly Review Press book *The Law of Worldwide Value*—which together reconfigure our understanding of the political economy of imperialism. The September–October 2013 issue of *New Left Review* consists of a magisterial two-part work by Perry Anderson on “American Foreign Policy and Its Thinkers,” containing a brilliant, caustic narrative of U.S. imperialism from the Second World War to the present.

A standout contribution to the developing imperialism debate is *The Making of Global Capitalism* (Verso, 2012) by Leo Panitch and Sam Gindin, which has just been awarded the 2013 Deutscher Memorial Prize. Their book provides an important, and likely to be extremely influential, account of the role of the United States in the formation of international economic institutions since the Second World War. Congratulations Leo and Sam!

*Continued from inside back cover* 

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activities were permissible 'to save Islam'. Pakistani army has confessed that they made 'mistakes'—by raping, torturing, murdering, looting, and burning—but Jamaatis have not."

The Jamaat recovered from its defeat in the liberation war after the 1975 assassination of Mujibar Rahman and his family. The succeeding military regime of Ziaur Rahman amended the Constitution to replace the word secularism with "absolute trust and faith in almighty Allah" which should be "the basis of all actions". Religion-based political parties were no longer banned. General H.M. Ershad brought in a constitutional amendment that declared Islam the state religion. Ziaur Rahman's BNP and Ershad's Jatiyo Party in fact both took birth from the barracks, and in turn enjoyed the support of U.S. imperialism. The Ziaur Rahman regime of the late seventies must be seen in context of the contemporary U.S. creation of al-Qaeda "freedom fighters" in Afghanistan; the political restoration of the Jamaatis was a parallel event.

And parallel to the tactics of the Muslim Brotherhood in Egypt and the Levant, the Jamaat made deals with each opportunist political party in turn, and embedded itself in the economy and society. As set out by Abul Barkat in *Political Economy of Fundamentalism in Bangladesh* (University of Dhaka, Bangladesh), in the so-called "thriving" economy of Bangladesh, the estimated net profit earned by fundamentalist organisations in 2012 was no less than \$280 million. While Bangladesh's economy is growing at 5-6 percent a year, the economy of fundamentalism has been growing at a higher rate - 7.5 to 9 percent. The failure in national development that has left 66% poor and generated ever-increasing inequality constitutes the basis of religious extremism in Bangladesh. Abul Barkat details how the "[f]undamentalists have created an 'economy within the economy' and 'a state within the state'. They have adequate economic strength (from micro to macro levels) to sustain their political organisations. The economics of fundamentalism, in the narrow sense of the term, can be explained in terms of enterprises ranging from large financial institutions to household level micro credit, from mosques and madrassas to news media and IT, from nationwide trading enterprises to local level NGOs. The estimated amount of annual net profit generated by these enterprises would be US \$ 250 million. All these economic enterprises are run by ideologically motivated and professionally competent persons. At least 10 per cent of their net profits are being used to finance the political organisation, which is sufficient to fund the salary of 500,000 full-timers in Islamic

fundamentalist politics."

The struggle the Shahbag movement faces is thus far more than achieving the punishment of the Jamaati leadership for their crimes. As the past decades have shown, the Awami League and Jatiyo Party are fully capable, unless the pressure from below is relentless, of once again finding common ground with Jamaat and BNP, and especially if pushed to do so by U.S. imperialism.

These events should be seen as part of a new global phenomenon: in countries with Islamic majorities the re-emergence of mass peoples liberation movements that, in the absence of coherent revolutionary left organisation and leadership, in their inevitable confrontation with the reactionary mass force of political Islam find themselves allied with bourgeois onetime national liberation forces discredited by decades of brutal repression, compromise and corruption. Just as the Shahbag movement is parallel to the Tamarod movement in Egypt, the roles of the Awami League and the Egyptian Army are similar.

And since the phenomenon is emerging, it is not justified to claim that we know how it will end. The only advice we feel confident in offering is to continue on the road set out; the recapture of history and the punishment of the crimes that so quickly destroyed the hopes of the war of liberation. For the key to the destruction of the "four pillars" are the crimes that immediately *followed* the war, the crimes that decapitated the revolutionary left. It is sufficient to point to two murders that were to be followed by many thousand more: the murder of revolutionary communist leader Siraj Sikder by the Mujibar Rahman regime in its BAKSAL fascistic phase, and the murder of the revolutionary socialist Colonel Abu Taher by the direct order of Ziaur Rahman. Though the life-and-death fight against the Jamaat is foremost in importance and of immense difficulty and consequences, it is crucial to know the history of, and punish the crimes of, the founders of the Awami League and BNP. If the Shahbag movement is to succeed, the path of setting right the crimes of history must be followed with persistence.

Samir Amin (<http://monthlyreview.org/commentary/comments-on-tariq-amin-khans-text>) may be useful in this context:

The progressive left cannot give up ideological combat. In the Muslim countries, it has the duty to make it understood that political Islam is not the solution, but an illusion that hides a capitulation before the real challenges. It must do so on all levels, from the analysis of its founding texts ... to analysis of the political strategies of self-described Islamist organizations.



This necessary struggle is nevertheless not sufficient. The major fight, the one that defines the very nature of a progressive (and socialist, obviously) left, unfolds on the terrain of social struggles for the rights of workers (wages, working conditions, union rights, right to strike), peasants (access to land), women (radical reforms in personal status laws) and citizens (access to education, health and housing).

If, as seems to us sadly by no means impossible, the year 2014 should see an attempt at the imposition of a murderous police-state regime of BJP Hindutva fascists with various local allies, a new liberation struggle to achieve the "four pillars" would be the order of the day in a number of countries in the sub-continent. The struggle in Bangladesh is neither irrelevant nor remote.

### Corrections

In Fred Magdoff and John Bellamy Foster, "Class War and Labor's Declining Share" in the March 2013 issue of *AMR* the following corrections should be made: on page 4, "Chart 1, Sources" it should read: "All employees is government and non-profit-sector employees plus private-sector employees (excluding non-profit employees here from the private sector)." On page 5, line 8 "government employment" should be changed to "government and non-profit-sector employment." Line 15 should say: "government and non-profit-sector employment." For an explanation see note 40 in the Review of the Month in this issue.

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*continued from inside front cover*

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group of wealthy families have maintained their grip on the sources of profit in the jute industry, garment manufacture, finance and real estate, while the spoils of government are corruptly spread out among the children of the top leaders and the clientele of the major political parties. And all the major parties can be counted on to follow the same neoliberal policies.

But the vast majority of Bangladeshi people, since long before the creation of Bangladesh have shown their active presence by foot—marching on streets in thousands—striving for democracy, equality and secularism as different issues were presented at different times. The liberation war of 1971 united a brave people in struggle for exactly those goals. The spirit of the liberation war was formally incorporated in the constitution of 1972 as the "four pillars"—namely, nationalism, socialism, democracy and secularism—set out as the fundamental principles of state policy. As stated by Veena Sikri, "The Geopolitics of Bangladesh" <[www.fairbd.net](http://www.fairbd.net)> : "The liberation war had been fought to protect Bengali culture and language (nationalism), oppose economic exploitation and subjugation (socialism), fight against military dictatorship and bring about participatory governance (democracy), and ensure a non-discriminatory, non-communal society, where religion would play no role in politics and the state would be equidistant from all religions (secularism). Religion-based political parties were banned under this Constitution."

Today's struggles mark, in one important respect, a major break with the last four grim decades in which the "four pillars" were overturned and shattered. Sheik Hasina and the Awami League regime, though in the last analysis wishing no more than a continuation of the corrupt game-playing frauds of the past, is being pushed forward from below. A mass movement of educated youth and "civil society", the Shahbag Gana Jagaran Mancha, emerged to demand the punishment of the many crimes that have brought Bangladesh to its current state from so hopeful a start. First and foremost it addressed the crimes of the leadership of the party that structures political Islam in Bangladesh, the Jamaat-e-Islami. In every way to address these crimes is to return to the liberation struggle itself. As Dr Mohammed Hannan has written, citing the Hamoodur Rahman Commission Report of October 23, 1974, "The Pakistani soldiers unleashed a reign of terror on the soil of Bangladesh in 1971. They brutally killed innocent people, molested Bengali women and ruined the economy. The Jamaat leaders, Ghulam Azam and Matiur Rahman Nizami, issued the fatwa that those

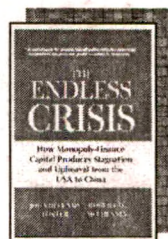
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# The Endless Crisis

How monopoly-finance capital produces stagnation and upheaval  
from the U.S.A. to China

John Bellamy Foster and Robert W. McChesney



The days of boom and bubble are over, and the time has come to understand the long-term economic reality. Although the Great Recession officially ended in June 2009, hopes for a new phase of rapid economic expansion were quickly dashed. Instead, growth has been slow, unemployment has remained high, wages and benefits have seen little improvement, poverty has increased, and the trend toward more inequality of incomes and wealth has continued. It appears that the Great Recession has given way to a period of long-term anemic growth, which Foster and McChesney aptly term the Great Stagnation

ISBN: 978-81-88401-31-4 , X + 227 pp, ₹150.00

Inland Subscription to *Analytical Monthly Review* [By Post]  
from April, 2013

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| Individual          | ₹ 350.00 | ₹ 650.00  | ₹ 1000.00   |
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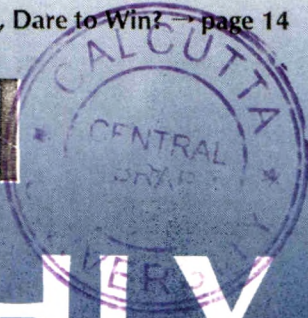
**CORNERSTONE PUBLICATIONS**, Ramesh Dutta Sarani,  
P.O. Hijli Co-operative, KHARAGPUR-721306,  
West Bengal, India  
e-mail: [cornerstone\\_pub@sancharnet.in](mailto:cornerstone_pub@sancharnet.in)

Printed, published and owned by Subhas Aikat and printed at New Rainbow Laminations,  
31 A, Patuatola Lane, Kolkata-700009 and published at Cornerstone Publications,  
Ramesh Dutta Sarani, P.O. Hijli Co-operative, KHARAGPUR-721306, Paschim  
Medinipur, West Bengal.

Editor: Subhas Aikat

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# Analytical MONTHLY REVIEW



Vol. 11, No. 11

February 2014

₹30.00

oward Post-Capitalist Democracy

## Sharp Left Turn for the Media Reform

*Carl*  
*28/3/14*

Robert W. McChesney



Reflections on the  
New International  
István Mészáros

Kerala: Social  
Inequities & Exclusions  
C. U. Thresia

Come Together: Maruti Suzuki Workers' Solidarity March  
Bernard D'Mello



# ANALYTICAL MONTHLY REVIEW

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## Editorial

There are extreme variations in the conditions of workers employed in organized sectors such as steel or auto-industries, as compared with unorganized sectors such as brick-kilns or sand mining. Yet in the neoliberal regime none are spared mounting oppression and exploitation. Any protest is crushed in a brutal way using all of the machinery of an openly belligerent state—bureaucracy, police and judiciary. Even the pretense of "neutrality" becomes a fading memory. Still the protest flares up and goes on; and the continuing brave struggle of Maruti Suzuki workers needs to be recognized and supported. From the pen of one of our close friends, Bernard D'Mello's article "Come Together: Maruti Suzuki Workers' Solidarity March" presents it in detail

**Come Together: Maruti Suzuki Workers' Solidarity March**  
by Bernard D'Mello

All the leaders and many of the active members of the Maruti Suzuki Workers Union (MSWU) – arbitrarily held responsible for the violent 18 July 2012 incident in the Manesar works of Maruti Suzuki India Ltd in the province of Haryana – 148 of them, repeatedly denied bail, are in jail since

*continued on inside back cover*

# Sharp Left Turn for the Media Reform Movement

## *Toward a Post-Capitalist Democracy*

Robert W. McChesney



The contemporary media reform movement exploded into prominence in the United States in 2003 as a response to the effort by the Bush Federal Communications Commission (FCC) to weaken media ownership regulations. Three million people signed petitions opposing the rules changes, many of whom were fresh from the antiwar movement and who were appalled by the idea that the same media conglomerates that assisted in the propaganda campaign for the Iraq invasion might be able to gobble up what remained of independent media. The size and success of this popular uprising was enough to contribute to the federal court's tossing out the FCC's ownership scheme. It was a testament to the power of activism to thwart the plans of the powerful in seemingly hopeless conditions.

In subsequent years the U.S. media reform movement blossomed, led primarily by a group I co-founded, Free Press. On a number of major issues, from the broadcasting of "fake news" created by corporate PR agencies and the protection of public and community broadcasting to the battle for an open, accessible, and uncensored Internet, Free Press led the charge in Washington, DC. The thinking behind the group and the movement was to have one foot in the battles of the day as they were being fought in the capital, while having another foot doing organizing in the field, with the idea of expanding popular awareness and involvement in the movement. We realized that for most people the range of media policy outcomes then countenanced in Washington seemed abstract or inconsequential. We needed to capture their imagination with bold and radical proposals. The strategy was to create an army for structural media reform so the options expanded beyond what was then permissible in

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ROBERT W. MCCHESENEY is the Gutsell Endowed Professor in the Department of Communication at the University of Illinois. He is the author of *Digital Disconnect: How Capitalism Is Turning the Internet Against Democracy* (New Press, 2013) and, with John Nichols, *Dollarocracy: How the Money and Media Election Complex is Destroying America* (Nation Books, 2013). The views in the piece are the author's, and do not necessarily represent those of Free Press.

Washington, where, as Jeff Cohen once put it, the “range of debate extends all the way from GE to GM.”

With no small amount of irony, the media reform movement enjoyed considerable success, relatively speaking, inside the beltway in the second term of the Bush administration. The Obama campaign in 2007 and 2008 expressed interest in media reform and worked closely with members of the movement to design what was, by the standards of Washington policy debates, a progressive platform. Except for Obama’s speech against the Iraq War invasion, it was arguably his communication platform that most distinguished him as a progressive in the 2008 presidential primaries. He had the blogosphere all atwitter, so to speak. For the media reform movement, the gravitational pull of the beltway was getting stronger and it was intoxicating. The movement shifted its emphasis from the field to working in the corridors of power. Around the world, media activists looked to the United States as the place where organizing was getting stuff done. Again, there was irony: as recently as 2002 John Nichols and I had written a short book on how the United States badly trailed most other nations in media activism, and needed to get its act together.<sup>1</sup>

One can debate whether this was an appropriate strategic shift at the time but there can be no debate that the strategy failed. The Obama administration abandoned its platform almost immediately, and repudiated the movement, except for those people who carried its water. For whatever reason, it decided not to put any of its political capital in this area. A few activists argued they had been more effective in the Bush years at winning their objectives. A deep and pervasive depression clouded the struggle, a depression that remains to this day.

What I argue in this piece is that the media reform movement needs to abandon its recent history and turn in a new direction altogether. On the one hand, it needs to return to its roots and the core principles on which the movement was founded. On the other hand, the movement needs to recognize that the world has changed dramatically in the past decade. Specifically, capitalism is in the midst of a prolonged crisis with no end in sight. This changes the political playing field and opens up new requirements and opportunities for democratic reformers. In what follows I elaborate on these points and offer three policy proposals that might provide vision and direction for the media reform movement. These are radical ideas, far outside the existing range of debate inside political circles or even the academy. Unless ideas along the lines of what follow get “mainstreamed,” it will not just be the media reform movement but the broad political left that will be guaranteed irrelevance and failure.

## The Context for Radical Media Reform

The major premises of the media reform movement remain unchanged: communication systems develop largely as a result of policies, since there is no such thing as a natural “default” course of development. From the development of copyright and postal subsidies for newspapers at the dawn of the Republic, to the licensing of telephone, broadcasting, and cable TV monopolies, the state has been in the middle of the creation of the media.<sup>2</sup> For example, the Internet’s switch from being an anti-commercial, egalitarian institution in the early 1990s to a “whoever makes the most money by any means necessary wins” undertaking was not foreordained by the Gods. It was the province of politics.<sup>3</sup>

In a capitalist society, including one with formally democratic practices, the policy debates will be weighted, at times heavily, toward commercial interests, especially in a matter like communication where there is tremendous profitability as well as political power attached to dominance. But the debates persist nonetheless, and organized popular forces have won media policy victories. In Europe, for example, the same political left that made labor unions, single-payer health insurance, and subsidized higher education possible was the decisive force that established well-funded nonprofit and noncommercial broadcasting systems. While U.S. history is riddled with examples of the rich getting their way with communication policy debates, there have also been victories for popular forces. From free postage for the delivery of small weekly newspapers in the 1840s (which included most abolitionist publications) to the creation of community radio stations in the 1970s, on occasion organized people have defeated organized money.

One change over the past forty years is that the degree of difficulty for popular forces to influence policy is greater. The corruption of the media policymaking process was one of the founding concerns for Free Press and, if it is possible, the process has grown even more corrupt in the past decade. The U.S. political system has become what John Nichols and I characterize as a Dollarocracy.<sup>4</sup> The vast majority of the population has no influence over core policies, regulations, taxation, or the budget, which are the province of large corporations and the very wealthy who dominate U.S. governance.<sup>5</sup> Systemic corruption is the order of the day. The election system has been rendered largely ineffective as a means for citizens to engage in self-government. As former president Jimmy Carter said in 2013, the United States is no longer a “functioning democracy,” even by the weak standards of its own history.<sup>6</sup> This means the chances of winning media policy battles of any great consequence inside the beltway with the existing array of forces are all but non-existent.

A second change from 2003 concerns the Internet. Everyone knew then



that it was just a matter of time until the Internet overwhelmed and subsumed not only “old media” but much of social life; nobody, myself included, really knew exactly how that would occur. Well now we have a pretty good idea. The Internet has become a, if not *the*, dominant force in modern capitalism. Not only that, the benefits of the Internet economy accrue to a very small number of gigantic firms that all enjoy what economists traditionally characterize as monopoly status. Three of the four most valuable publicly traded corporations in the United States are Internet-related firms, and thirteen of the thirty-three most valuable firms are primarily Internet firms. Several more of the thirty-three largest firms have significant digital operations.<sup>7</sup> By contrast, only four of the “too big to fail” banks—that, Senator Richard Durbin, in reference to Congress, conceded “frankly own the place”—rank among the thirty-three most valuable firms in the economy.<sup>8</sup> What that means is that these Internet giants control the outcomes on all policy debates that affect them, which increasingly covers most issues of fundamental importance, like taxation, regulation, labor and consumer rights, and trade.

The third great change from 2003 is that U.S. capitalism is in the midst of what Paul Krugman refers to as another great depression. Unemployment remains very high, corporations are sitting on some \$1.7 trillion they are not investing in new plants and equipment, and downward pressures on wages are extreme, particularly for the young and the working class.<sup>9</sup> This is part of a long-term problem of secular stagnation for monopoly-finance capitalism, as John Bellamy Foster and I write about in *The Endless Crisis*.<sup>10</sup> Stagnation, combined with political corruption, means that poverty rates have returned to levels not seen for nearly a century in the United States, and inequality is trending towards that found in Malaysia or the Philippines, with Western Europe and Japan in its rearview mirror.<sup>11</sup> Nothing in the range of current debates on economic policy proposes anything that will change this dynamic. For the bulk of the population, the future is grim.

The political-economic situation in the United States is therefore unstable and ultimately untenable. When one factors in the environmental crisis, this becomes an even more calamitous and desperate period.<sup>12</sup> What is striking is that all the paeans to the genius of the market, which remain commonplace in policy or academic debates on communication from the respectable left to the right, now increasingly smell like month-old fish left out on a table. While the news has yet to hit the corrupt elites in Washington, academia, or the mainstream news media, it is increasingly understood by a beleaguered citizenry. It is also understood by Pope Francis, who delivered a condemnation of capitalism, and capitalist media, in November 2013 that was unsparing and radical. “No one else,” the journalist Robert Scheer wrote, “has put it as powerfully and succinctly.”<sup>13</sup>

What is taking place is little short of a sea change. As John Nichols notes, “Thirty-nine percent of Americans surveyed for a November 2012 Gallup poll said they had a positive image of socialism. In a 2011 Pew survey, 49 percent of Americans under 30 said they felt positive about socialism, while just 46 percent felt positive about capitalism. Among African-Americans, 55 percent had a positive reaction to socialism, versus 41 percent to capitalism. Among Latinos, it was 44 percent for socialism, 32 percent for capitalism.” This is especially notable since few Americans have ever heard anything positive about socialism; it would be like a survey in the Soviet Union in 1955 asking people to compare the merits of capitalism versus communism. What Americans do know today from firsthand experience is that really existing capitalism, to employ the vernacular, sucks. In 2012 the “socialist alternative” candidate Kshama Sawant won a citywide election for the Seattle City Council, over a liberal Democrat opponent in a two-person race. A decade ago a radical like Sawant—who called for using eminent domain to take over abandoned factories and have workers “take over the factories”—would have been unlikely to nudge 1 or 2 percent of the vote.<sup>14</sup>

In this political-economic environment it is imperative that activists of all stripes speak boldly and truthfully about the problems of our times and the need for radical change. If activists assume radical change is impossible and deem it unmentionable—not because it is wrong but because the entrenched forces are so powerful that to challenge them might undermine short-term legitimacy—by our very actions we increase the likelihood it will be impossible. In view of the centrality of communication to the political economy, media reform activists have to pull their heads out of the beltway and start talking to the people who elected Sawant to the Seattle City Council and voted Bill de Blasio the mayor of New York City. We need to capture the imaginations of people such that they believe politics can lead to radical improvements in their lives, and the lives of those they know and love. Then we can build an army that can shake the foundations of this rotting system.

### First Proposal: End the ISP Cartel

Back in the 1990s much verbiage was expended about how the Internet would unleash such a ferocious wave of competition between the Baby Bell telephone companies, the long distance providers, and the cable TV companies, that government regulation (of what were mostly licensed monopolies) in the public interest was no longer necessary. The market could work its magic in combination with the digital revolution, that made competition seemingly endless. There were roughly fifteen major Baby Bell, long distance, and cable/satellite TV companies in 1996 and, it was said, they were raring to take each other's business if they were freed from government regulations. These firms also said they needed to be unchained

because scores of new competitors were about to capitalize on the possibilities of digital technology and come after their markets.

These claims constituted one of the largest piles of horse manure in U.S. political history. The dominant firms that pushed this line of reasoning knew they could game the system sufficiently to all but eliminate the threat of real competition, and they could use the relaxation of rules to greatly increase their market power.<sup>15</sup> By 2014, there are only a half-dozen or so major players that dominate provision of broadband Internet access and wireless Internet access. Three of them—Verizon, AT&T, and Comcast—dominate the field of telephony and Internet access, and have set up what is in effect a cartel. They no longer compete with each other in any meaningful sense. As a result Americans pay far more for cellphone and broadband Internet access than most other advanced nations and get a much lousier service. “They’re making a ton of money,” one telecommunication executive said about the cartel members in 2013. “They’re picking the pockets of consumers.”<sup>16</sup>

These are not “free market” companies in any sense of the term. Their business model, going back to pre-Internet days, has always been capturing government monopoly licenses for telephone and cable TV services. Their “comparative advantage” has never been customer service; it has been world-class lobbying. It was that power that made it possible for them to merge endlessly into corporate goliaths and permitted them to quietly overturn existing regulations a decade ago so they could monopolize their networks for broadband Internet access. That killed competition once and for all. The remaining public interest regulations these behemoths face today are laughable.

The public interest community has responded to the cartel in a number of ways. One policy response has been to press for Network Neutrality, which would prevent the cartel from using its monopoly power to censor websites. (If there were actual competition, the policy would be unnecessary because consumers would be unlikely to select an ISP that engaged in censorship.) Another response has been for communities to set up their own local municipally run broadband services, a public option if you will. Wherever the cartel has not been able to crush these efforts by having their state-level politicians outlaw them, the municipal broadband services have proven highly popular. But they are in a constant battle for survival as the cartel uses its considerable lobbying muscle to try to eliminate them.

The cartel has passed its historical expiration date. These firms are parasites who use their government-created monopoly power to exact economic “rents”—by which economists mean undeserved income—from consumers and other businesses. Let’s cash them out at a price that reflect actual investments, not speculative frenzy. Then let’s make cellphone and broadband access ubiquitous and as close to free as possible. (And by doing

so, people could stop paying through their teeth for satellite and cable TV services as well.) How to structure a publicly owned nonprofit network, a digital post office if you will, is exactly where study, debate, and discussion should be directed. It is a solvable problem and one that demands immediate attention.

Ironically, although socialists have traditionally liked this approach to telecommunication, this is an idea with occasional resonance among conservatives and in the business community as well, as other firms are tired of paying a ransom to the cartel for crappy service. Google launched its own broadband service in Kansas City if only to demonstrate how it would be possible to have a vastly superior broadband network if the cartel simply got off its butt and invested some of its megaprofits into it. In 2008 then-Google executive and legendary Internet architect Vint Cerf asked publicly if the Internet might not be better if the data-pipe infrastructure was “owned and maintained by the government, just like the highways.”<sup>17</sup> It is a serious question that demands a serious answer.

## Second Proposal: Treat Monopolies Like...Monopolies

One of the reasons the Internet boom has not led to a golden age of investment and prosperity in contemporary capitalism—unlike, say, what followed from the emergence of the automobile and all of its many related industries in the twentieth century—is that much of the wealth generated by the Internet has been funneled into a very small number of hands. Aside from the cartel which was an outgrowth of the old telecommunication monopolies, the Internet has produced monopolistic titans like Google, Apple, Amazon, Facebook, eBay, Microsoft, Intel, Cisco, Oracle, and Qualcomm.

These firms take advantage first and foremost of network effects, which tend to produce “winner-take-all” markets and where there tends to be almost no middle class of mid-sized firms. In addition, patent law and traditional economies of scale contribute to insurmountable advantages over potential adversaries. Indeed, increasingly the Internet seems like a walled garden where these giants are battling with each other for domination in existing and prospective markets, and no one else has a prayer, except to get bought out by a giant. In 2013 the head of the Wikimedia Foundation, which operates the ubiquitous nonprofit and noncommercial Wikipedia, stated that it would be impossible for Wikipedia or anything like it to be created and thrive on the Internet today due to the dominance of the Internet monopolies.<sup>18</sup> The system is locked down.

In combination these firms have virtually unassailable power in Washington, and the only time they face any regulatory threat is when the giants find themselves on the opposite sides of an issue, as has happened with Network Neutrality and intellectual-property debates. These firms tend to get glowing press coverage, and

their executives and largest investors are regarded like celebrities or championship athletes; the idea that these firms' legitimacy might be challenged probably seems preposterous to all but a few. Academics trip over each other as they sing the praises of the digital titans. "I am blown away by what I see coming out of the private sector today," an M.I.T. professor of digital economics stated.<sup>19</sup> And indeed, the technological innovations are mind-blowing. But the problem is that these technological advances are all developed to advance the profitability of firms regardless of their social effects. Hence, for example, the obsession with developing amazing surveillance technology that makes the commercial Internet so profitable. Great for them, but not necessarily a benefit for the human race. The Internet brings one of the core contradictions of capitalism to the fore—what is good and rational for those who control the economy is bad and irrational for society as a whole.

These Internet behemoths are all monopolies in the sense that economists use the term: they control sufficient market share—usually at least 50 or 60 percent—to determine both pricing and how much competition they have. As such they pose a direct threat not only to smaller enterprises but to democratic governance. This, again, is not exclusively a belief held by socialists and progressives; it has been at various times a staple belief of conservative free market economic theory.

No less a figure than Milton Friedman argued that capitalism was superior for political freedom and democracy because it separated political power from economic power, unlike feudalism or communism where the people who controlled the economy also controlled the politics.<sup>20</sup> One of Friedman's mentors at the University of Chicago, the *laissez faire* champion Henry C. Simons, said it was imperative that private firms not be allowed to become too large and monopolistic for this argument to hold. Giant monopolistic firms kyboshed the ability of capitalism to remain democratic, because the large firms would overwhelm governance. Here Simons was in agreement with his periodic adversary President Franklin Roosevelt, who in a 1938 message to Congress stated: "The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is fascism—ownership of government by an individual, by a group, or by any other controlling private power."<sup>21</sup>

Simons argued that it was imperative—for both genuine free enterprise and democracy—that monopolistic firms either be broken into smaller competitive units or, if that was impossible as with utilities and railroads, they should be "socialized" and directed by the government in a transparent manner.<sup>22</sup> He dismissed the idea of effective government regulation of private monopolies to produce the results that competitive markets would bring, because the monopolies would dominate the regulatory process. Because

network effects make it nearly impossible to imagine the effective breakup of the Internet giants, Simons's analysis points squarely in one direction. It is high time we take seriously his concerns and think about how the monopolized Internet services could be put in the public domain, and guided by open source protocol. The late Andre Schiffrin was arguably the first person to grasp this point when he called for public debate about whether Google should be converted to a nonprofit entity in 2011.<sup>23</sup>

One immediate benefit of this approach: the incessant commercial pressure to collect every possible bit of information on users to better manipulate them would be undermined. It would be far easier to have a regimen with standards closer to what was imagined by the engineers who created the Internet: power would be in the hands of the users who would control their own digital fate, rather than in the hands of giant firms that are mostly unaccountable...except to their investors.

### Third Proposal: Treat Journalism Like a Public Good

Perhaps the greatest irony or unexpected consequence of the Internet has been that, notwithstanding all its democratizing contributions, it has not ushered in a Golden Age of journalism and culture. Instead of unlimited quality and quantity, the Internet has eliminated most of the resources that once went to support content production. What I write in this section applies to the entirety of culture, but I will focus specifically on journalism.

As an institution journalism is in freefall collapse in the United States. There are simply vastly fewer paid reporters and editors than there were a generation ago, and it is especially striking when you consider how much the population has grown in that time. Most newsrooms look like the Polish countryside in 1945. Much of what government does, and government's interactions with commercial interests, receives much less coverage than they did in the past. Most elections are uncovered, and what campaign journalism remains hardly makes one pine for more of the same. This process began before the Internet, but the Internet has accelerated the process and has made it permanent.

Why is this a problem? All democratic theory, as well as the specific history of the U.S. republic, are premised on the idea that democracy requires an informed participating citizenry, and such a citizenry can only exist with a strong and vibrant journalism. If such a journalism does not exist, our republic and our freedoms cannot survive in any meaningful sense. It is not an exaggeration to say that this point was an obsession for the nation's founders, in particular Thomas Paine, Thomas Jefferson, and James Madison.<sup>24</sup>

This is an issue of particular importance for the mass of the citizenry: those without appreciable amounts of property. The 1 percent, if you will, tend to have access to the information they need to run the world to their benefit. The issue is

whether everyone else will have the information they need to participate effectively; that is why the battle for popular journalism is the quintessential democratic struggle. This also explains why in the United States today, those atop the economy appear quite content to have a journalism-free environment, and are the forces that oppose reform. The less people know about how those in power operate, the better.

Why is journalism disintegrating? Commercial interests have decided journalism is no longer a viable investment and they are jumping ship. When Jeff Bezos reached into his spare change jar to purchase the *Washington Post* for \$250 million in 2013, he paid perhaps 5 percent of what the purchase price would have been in 2000. Ironically, for the past two decades, as the commercial interest in journalism has shriveled, the conventional wisdom has been that the Internet would eventually replace dying old media with digital commercial journalism that would likely be far superior to what it replaced. We just had to be patient and let good old Yankee ingenuity, magical technologies, and the profit motive solve the problem.

But that has not happened, nor will it. Indeed, what remains of paid journalism in the United States is disproportionately in "old media." The Internet has been a total flop. If anything, by giving the illusion of an information rainforest with every Google search, it has made people oblivious to the actual information desert we increasingly inhabit.

Why is that? Advertising provided the vast majority of revenues for journalism in the twentieth century and made doing news media commercially lucrative. Advertisers needed to help pay for journalism to attract readers/viewers to news media who would then see their ads. That was the deal. Advertisers supported the news because they had no other choice if they wished to achieve their commercial goals; they had no intrinsic attachment to the idea of a free press.

The rise of advertising as the primary basis of support prompted the development of professional journalism, in part to protect the content of the news from direct commercial influence; advertising generally was regarded as a necessary evil for the subsidization of journalism. Professional journalism, in effect, was an effort to address the obvious tension between journalism as a necessary democratic institution and journalism as a commercial product intended to maximize profits.

But those debates and concerns are now passé. In the new era of smart or targeted digital advertising, advertisers far less frequently place ads on specific websites and hope to appeal to whoever might visit the website. Instead, advertisers purchase target audiences directly and place ads through Internet ad networks that locate the desired target wherever they are online. *Advertisers no longer need to support journalism or content creation at all.* This is probably why Rupert Murdoch, the greatest corporate media visionary of our times,

abandoned his iPad/smart phone news venture, *The Daily*, in 2012; it is definitely why the *Guardian*, one of the most visited and venerated news websites in the world, concedes it has no idea how it can support its operations when and if it is forced to rely upon Internet revenues.

Advertising gave the illusion that journalism is a naturally, even supremely, commercial endeavor. But when advertising disappears, journalism's true nature comes into focus: it is a public good, something society requires but that the market cannot provide in sufficient quality or quantity. Like other public goods, if society wants it, it will require public policy and public spending. There is no other way. The marriage of capitalism and journalism is over. If the United States is to have democratic journalism, it will require massive public investments.

This begs the question: How did the United States have a press system that was the envy of the world in the nineteenth century prior to the advent of mass advertising? It did so by having massive postal and printing subsidies for newspapers that made the cost of production so low that there were many more newspapers per capita than anywhere else in the world. In the first century of U.S. history, our politicians did not know the term "public good," but they treated the press in precisely that manner.

The great concern is public money will lead to a government-controlled propaganda system like one finds in dictatorships and authoritarian regimes, or even in the more corrupt capitalist democracies like Italy. Sure the United States had successful press subsidies in the nineteenth century, but that was then and this is now. In view of the entirely unaccountable national security apparatus that is embodied in the modern U.S. government, this is a legitimate and pressing concern. But the process to establish publicly supported journalism is part of the process of democratizing society. They go hand in hand.

This evidence suggests that the more democratic a nation is, the more it is able to subsidize journalism without having the resultant media be a puppet for the government. Every year the *Economist* magazine ranks all the nations of the world according to how democratic they are, using standard political science criteria. Every year those nations that top the list are invariably the nations that spend the very most per capita on public and community media. Freedom House, another organization that is decidedly unsympathetic to socialism, annually ranks all the nations of the world in terms of how free their press systems are. Government censorship is the single threat Freedom House is most concerned about. Every year the same nations that rank atop the *Economist's* list rule Freedom House's list of the freest and best press systems, places like Norway, Sweden, and Germany. The research shows this: in democratic nations, journalism subsidies tend to make the press more diverse and dissident and critical of the government in power. Like education, it is a public good, and, as with education, the more resources that are devoted to it, the better it



will be everything else being equal.

Although the left leads the fight for publicly supported journalism, it is a very popular program across the population once it is in place and people see the results. After the national elections in September 2013 Norway got its most conservative government in generations, including a crew of neoliberal Know-Nothings not unlike the U.S. Republican Party. One of their campaign planks was to end government funding for Norway's massive public broadcasting system, as well as its extensive newspaper subsidies that allow Oslo to have numerous daily newspapers, rather than the one or two that would exist if left to the market. These newspaper subsidies are mostly given to newspapers with low advertising revenues. They provide, for example, around 30 percent of the revenue for the left-wing daily newspaper *Klassekampen* (*Class Struggle*), and makes its thriving newsroom possible. To give some sense of *Klassekampen*'s impact: if a U.S. daily newspaper sold newspapers to the same portion of the population that *Klassekampen* does in Norway, the U.S. paper would have a circulation of over 1 million copies every day. That would make it the fourth-largest daily paper in the United States. Conservative and liberal newspapers are eligible for the same subsidies and get them.

When the new Norwegian government took its proposal to defund media to the parliament in November 2013, the matter was rejected emphatically. There was opposition to the proposal from Norwegians across the political spectrum. In Norway, the newspaper subsidies go to commercial concerns. I think that is a nonstarter in the United States—the last thing needed is another dose of corporate welfare—and makes decreasing sense as capitalists abandon the field. The crucial goal should be to establish a nonprofit, noncommercial, competitive, uncensored, and independent press system, embracing digital technologies. It is where the debate and discussion need to go.

One idea I like: Dean Baker's notion (that Nichols and I have embellished) of letting every American over the age of eighteen direct up to \$200 of government money annually to any nonprofit medium of his or her choice. The only conditions would be that the recipient be a recognized nonprofit, that the recipient take no commercial advertising, and that whatever is produced by the subsidy be posted online immediately, made available at no charge, and enter the public domain. It would not be protected by copyright. This would amount to a \$30 billion public investment with no government control over who gets the money. This would promote all sorts of competition as well, as entities would be competing for the monies. Commercial media would be ineligible for subsidies but they could use the content and anyone could start a medium, commercial or noncommercial, without needing anyone's permission.

There are probably many other ways we could support a great free press

system (and a great culture) in the digital era. It is high time to start that discussion. It is a necessary part, even a cornerstone, of the movement to democratize the United States. I have demonstrated how each of these reforms can appeal to people across the political spectrum, as they are rooted in fairness and a commitment to democracy. But make no mistake: these three reforms alone would radically reshape the nation and put the United States well on the way toward a post-capitalist democracy. We have no time to lose, and, given the brick wall of politics in Washington, DC, we have nothing to lose. As the great saying from France in May 1968 went: "Be Realistic, Demand the Impossible."

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# Saving Our Unions

## *Dare to Struggle, Dare to Win?*

Steve Early

Any review of the recent ups and downs of U.S. labor must start in Michigan, long a bastion of blue-collar unionism rooted in car manufacturing. Fifteen months ago, this Midwestern industrial state became another notch in the belt of the National Right to Work Committee, joining the not-very-desirable company of Texas, Oklahoma, Alabama, and twenty other “open shop” states.

The emergence of sun-belt labor relations in the birthplace of the United Auto Workers (UAW) was shocking to some. But this political setback was preceded by high-profile defeats in neighboring states that began in 2005. First Indiana, followed by Wisconsin and Ohio, stripped public workers of their bargaining rights (although the Republican attack on government employees was later repelled by popular referendum in the Buckeye State). Then in early 2012, GOP legislators in Indiana passed a right-to-work law applicable to private industry. It banned any further negotiation of labor-management agreements that compelled workers to make a financial contribution to the cost of union representation, in established bargaining units or newly organized ones.<sup>1</sup>

In November 2012, organized labor tried to buck the emerging anti-union trend with two ballot questions designed to strengthen public-sector bargaining rights in Michigan. Despite the expenditure of many millions of dollars by affiliates of the AFL-CIO and Change To Win, both measures were defeated.<sup>2</sup> In its lame-duck session just a few weeks later, GOP legislators in Lansing took retaliatory aim at union security in Michigan’s private sector. When the region’s latest “right to work” bill landed on his desk, Republican Governor Rick Snyder was most pleased to sign it into law.

During the intervening political furor, even labor’s “friend” in the White House, felt compelled to speak out. “We should do everything we can to keep creating good middle-class jobs that help folks rebuild security for their

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This article is excerpted from his new book *Save Our Unions: Dispatches from A Movement in Distress* (Monthly Review Press, 2013).

families,” Barack Obama told a union crowd in Detroit, after his own reelection victory. “What we shouldn’t be doing is trying to take away your rights to bargain for better wages and working conditions. The so-called ‘right-to-work’ laws—they don’t have to do with economics, they have everything to do with politics. What they’re really talking about is giving you the right to work for less money.”<sup>3</sup>

### A Battered Workforce

Unfortunately, by this point in Obama’s presidency, working for less money, with fewer job rights or benefits and little employment security, was an experience shared by millions of white-collar and blue-collar workers. Even those still lucky enough to have union contracts (just 11.3 percent of the workforce in 2012) were battered by the great Wall Street meltdown and its continuing aftershocks. When push came to shove in 2008–2009, there was much emergency relief for those at the top of our economic pyramid and far less for the millions of wage earners and homeowners at the bottom. The latter suffered from layoffs, pay cuts, loss of home equity, and the evaporation of retirement savings. As a result, by 2013 overall employee compensation—including health and retirement benefits—dropped “to its lowest share of national income in more than 50 years while corporate profits have climbed to their highest share over that time.”<sup>4</sup>

Union members had more protection, of course, but only if their legal rights were not undermined by political friends and foes alike, both influenced to varying degrees by corporate funders. Just as President Obama’s own tutorial on the politics and economics of “right-to-work” failed to sway Governor Snyder in Michigan, labor’s efforts to enlist prominent Democrats in a vigorous defense of unionism has been a serial disappointment. During Obama’s first term, the desperate plea to “Save Our Unions!” often fell on deaf ears among labor’s supposed allies in Washington and many state capitals. From New York to California, Democratic governors and other public office holders joined the budget-cutting Republican chorus criticizing teachers and other government workers or seeking to curb their bargaining rights.

Thanks to this bipartisan hostility and/or indifference to collective bargaining, U.S. labor can expect little respite from its uphill battles in recent years, despite much initial union relief over Obama’s defeat of Mitt Romney. Throughout our last three decades of retreat and defeat, the generally agreed-upon left-wing formula for union revitalization has been a “to-do” list more easily recited than implemented. In some combination or fashion, most labor leftists agree that unions should resist contract concessions, do more systematic and radical membership education, become internally democratic, engage in direct action on the job, organize the unorganized (particularly foreign-born

workers), build cross-border solidarity, and get involved in broader community-labor alliances leading to greater independence from the Democratic Party.

If this recipe for change were easy, there would have been far more union transformation than we have seen to date. Instead, thousands of dedicated labor activists have toiled diligently, for years, to change their own particular nook or cranny in the “house of labor,” while myriad private and now public sector enemies have tried to demolish the whole shaky structure. Reform campaigns, new organizing initiatives, and some high-profile bargaining standoffs have helped slow the process of de-unionization and contract unraveling, but they have yet to reverse the steady decline in union membership and bargaining clout.

As *Labor Notes* reported, unions confronted with impending open-shop conditions in Michigan rushed to lock in automatic dues deduction for one more contract term, before the new state law went into effect. But the quid pro quo was “long, concessionary contracts” that will not enhance dues collection on a voluntary basis in the future. When that day comes—and some disgruntled workers drop their union membership or cease to be “agency fee”-payers—their unions will still have the legal obligation to represent them, a financial burden that can be debilitating over time.<sup>5</sup>

### Unexpected Uprisings

Since 2011, an unexpected wave of collective activity, involving workers and their allies, inside and outside of unions, has become a beacon of hope for saving our unions. In all its diverse manifestations, this multi-front struggle has been a revolt, from below, against “the right to work for less money.” In both the public and private sector, older forms of protest—like tent cities, worker sit-downs, building occupations, civil disobedience, and quickie strikes—were recast by a new generation of activists searching for effective ways to resist corporate domination and workplace exploitation, by linking labor and community concerns.

In the year following the big midterm Republican gains in 2010, the uprising by Wisconsin public employees and the more diffuse Occupy Wall Street (OWS) movement both mounted a long-overdue challenge to working-class disempowerment and the not unrelated growth of income inequality. From their earliest stage, the mass marches and rallies in Madison sought to unite private and public sector workers, and thwart Governor Scott Walker’s right-wing populist strategy of “divide and conquer.” The demonstrators (and occupiers) included public-service providers and those who rely on tax-supported state and local programs, working together as allies, not fiscal policy adversaries. Whereas the Tea Party activity of 2009–2010 had scapegoated taxes, immigrants, and big

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government, Wisconsin and OWS refocused public attention on the real threat to all working people, namely the power of big business and the political agenda of those doing its bidding.

Both protest movements also gave our timorous, unimaginative, and politically ambivalent unions an ideological dope-slap, not to mention a much-needed injection of youthful energy and ideas. AFL-CIO union leaders first sought an infusion of those scarce commodities in labor when they jetted into Wisconsin in the winter of 2011. Without their planning or direction, the spontaneous community-labor uprising in Madison managed to reframe the debate about public-sector bargaining throughout the United States. So the top officialdom flocked to the scene even though the protests were launched from the bottom-up, rather than in response to union headquarters directives from Washington, DC. Six months later, OWS became another Lourdes for the old, lame, and blind of American labor. Union leaders began making regular visits to Zuccotti Park and other high-profile encampments around the country, offering material aid and union reinforcements for Occupy-related marches and rallies.

### Occupied Labor?

Based on this interaction with the 99%, Stuart Applebaum—a New York City union leader whose annual earnings put him near the 1%, income-wise—assured the media that “the Occupy movement has changed unions.” The question was: How much? And in what fashion? It would be a miraculous transformation indeed if organized labor, inspired by OWS, suddenly embraced more direct action, greater democratic decision-making, rank-and-file militancy, and salaries for officials closer to the pay of workers they represent. It would also be helpful if unions more consistently positioned themselves as champions of America’s working-class majority against the economic elite represented by Wall Street, while adopting Occupy’s brilliant popular framing of that class divide as a conflict between “them and us.”<sup>6</sup>

Unfortunately, many national unions, pre- and post-Occupy, utilize the same high-priced Democratic Party consultants, focus groups, and opinion polls that fuel the Obama administration’s endless conflation of “working class” and “middle class.” As labor historian Nelson Lichtenstein argues, proclaiming yourself to be a defender of the latter “will only mislead and confuse.” The contemporary category of middle class “has no sense of agency, purpose, or politics—while the idea of a working class is (by virtual definition) a font of all of this.” Says Lichtenstein:

We need to construct a sense of class dignity and destiny for all those whose work fails to provide social recognition and economic wellbeing. We need to restore some definitional precision to those who truly constitute America’s working-class majority. Unionists and those who advocate on

their behalf need to use the kind of language whose emotive power and historic resonance match the political audacity of those who occupied both the Wisconsin statehouse and the Wall Street parks. To speak on behalf of the working class is to begin to educate millions of Americans to the realization that their future is linked to their own capacity of organization and empowerment.<sup>7</sup>

As educational and empowering as they were, the Wisconsin and OWS protests proved hard to sustain. Both ultimately fell short of achieving their goals, which, in the case of OWS, tended to be far more diffuse than the demands echoing through the Wisconsin state capitol building when it was occupied. In Wisconsin, union-backed efforts to recall anti-union Governor Scott Walker failed at the polls, as did various legal challenges, so the Republican rollback of public-sector bargaining rights was still largely intact for the duration of his four-year term, if not longer.<sup>8</sup>

### Return of the Strike

In 2012, while Obama's reelection campaign commanded most of mainstream labor's available resources and attention, there were further grassroots stirrings that pointed in a positive direction. The year's biggest strike, by 25,000 public school teachers in Chicago, combined elements of the Wisconsin upsurge with the anti-corporate themes of OWS. Under new and more activist leadership, the Chicago Teachers Union (CTU) also provided a much-needed demonstration of the powerful synergy between union reform, internal democracy, workplace militancy, and effective community organizing.

Prior to the strike, CTU members elected new officers and board members from the Caucus of Rank-and-File Educators (CORE). CORE remained active, as a reform group, after the election of new president Karen Lewis, and its members played a key role in the systematic internal organizing that CTU undertook to rebuild union structures and prepare for 2012 bargaining. CTU activists also did extensive outreach to the community to neutralize, as much as possible, anti-teacher union sentiment whipped up by city hall, the school board, and corporate-backed "education reform" groups.

When the CTU strike began, then Republican presidential candidate Mitt Romney expressed his solidarity with Democratic Mayor Rahm Emanuel, who formerly served as Obama's White House chief of staff. During the nine-day walkout, tens of thousands of students, parents, and other community members stuck with the teachers, making it difficult for Emanuel to isolate and demonize the CTU, as planned.<sup>9</sup> In May 2013, CORE-backed Karen Lewis was elected to another three-year term as president of the CTU with 80 percent of the vote, a strong membership endorsement of her strike leadership during the previous year.

At the same time that the CTU was providing an inspiring example for

embattled teachers everywhere, other workers in the private sector showed that similar militancy is possible. While strike activity in large established bargaining units has reached an all-time low in recent years, retail, warehouse, and fast-food workers, who lack collective bargaining rights, staged a series of walkouts over low pay and unfair labor practices that generated national publicity. These protest strikes involved low-wage workers who are pro-union. Unfortunately, under current legal conditions they have little realistic chance of winning union recognition at any single work site of the corporation that employs them, either directly or through a sub-contractor or franchisee.

So, they have banded together in broader and looser networks, like OUR Walmart (Organization United for Respect at Walmart) or Fast Food Forward, which generally disclaim unionization as a short-term goal. Instead, they have picketed, appealed to the public, and petitioned management for better pay and working conditions, with the backing of local workers' centers or national unions, like the United Electrical Workers (UE), United Food and Commercial Workers (UFCW), or Service Employees International Union (SEIU). In the case of Warehouse Workers for Justice (aided by the UE in Illinois) and Warehouse Workers United (a group backed by Change-to-Win in California) one strike objective was to force Walmart to take responsibility for the personnel practices, including wage and hour violations, of the logistics chain staffing agencies that it employs.

In New York City, fast-food workers used their one-day work stoppage in November 2012 to protest the long-term wage stagnation of the nearly four million workers trapped in these \$8 or \$9 an hour jobs. The campaign there was kicked off by New York Communities for Change (NYCC), a successor to the now defunct community organization ACORN. NYCC had previously supported neighborhood-based organizing of immigrant workers at carwashes and supermarkets. To dramatize the plight of fast-food workers, NYCC joined forces with the SEIU, which provided more than \$2.5 million to hire forty organizers and pay other campaign expenses in 2012.

As NYCC organizer Jonathan Westin explains, Fast Food Forward's initial "roaming strike" was an approach influenced by Occupy because it involved "confronting [industry] power more openly and publicly and directly" than formal union drives in the past.<sup>10</sup> Even though only a small fraction of the city's 55,000 fast-food workers participated, media coverage was widespread and favorable. The initial New York City protest—and others patterned after it—generated new political pressure for long overdue minimum-wage increases, at the state or city level.

Last winter, both Fast Food Forward in New York and the SEIU-backed "Fight for 15" campaign in Chicago (to raise industry wages to \$15 an hour) organized a broader round of protest activity at McDonald's, Wendy's, Dunkin Donuts, Burger King, Subway, and similar chains. In Chicago, SEIU spent



nearly \$2 million jump-starting the campaign. Similar one-day walkouts and demonstrations soon followed in Detroit, St. Louis, Kansas City, Milwaukee, and other cities. Over the summer, even fast-food workers in southern locales like Memphis and Raleigh joined the fray. On December 5, 2013, organizers extended strike activity to first-time locations in Rhode Island, Pennsylvania, and South Carolina, as part of a projected two-hundred-city “day of action” by fast-food workers and their supporters. According to one journalistic observer, the rapid spread of Fight for 15, combined with recent Walmart strike activity, is generating a serious and sustained challenge “to two industries that increasingly define the new U.S. economy.”<sup>11</sup> In Seattle, community college professor Kshama Sawant became the first socialist, in nearly a century, to be elected to municipal office there—after she campaigned as a Fight for 15 supporter. Also active in Occupy, Sawant won impressive union backing for her race against a centrist Democrat, who was a longtime incumbent with past ties to the local labor establishment.

### Black Fridays

The parallel escalation of OUR Walmart organizing began in October 2012, when workers walked off the job in thirty stores in twelve states. On Black Friday, the day after Thanksgiving a month later, strike activity by four hundred Walmart workers—backed by a much larger number of labor-community supporters—spread to one thousand locations, in three times as many states. In the spring of 2013, Walmart workers and their supporters confronted store managers in one hundred locations to keep the pressure on Walmart to make scheduling improvements first promised after the Black Friday protests. In early June 2013, just prior to the company’s annual meeting in Bentonville, Arkansas, some workers tried to mount a longer work stoppage in several states where the OUR Walmart has been strongest. The nation’s largest employer responded by firing or suspending more than sixty workplace activists, including some who left their jobs to attend the shareholders meeting.<sup>12</sup>

On the eve of Black Friday last fall, the National Labor Relations Board announced its intention to issue a wide-ranging unfair labor practice complaint over management discrimination against the several thousand “associates” (Walmart’s name for its employees) who have signed up to be OUR Walmart members. The NLRB action would contest some of the retaliatory dismissals and a company-wide pattern of supervisory threats, intimidation, and interference with legally protected strike activity. With this timely legal boost, OUR Walmart reported Black Friday protests in 1,500 locations on November 28, 2013. Demonstrators waved picket signs and banners challenging the company to “Stop Bullying, Stop Firing, Start Paying.” (More than 800,000 of the company’s 1.3 million U.S.-

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based employees earn less than \$25,000 a year.)<sup>13</sup> Workers and their usual labor allies were joined by members of Congress, environmental and consumer activists, ministers, and economic justice advocates. Civil disobedience, which began with fifty arrests in Los Angeles two weeks before Black Friday, continued on the retailer's busiest shopping day. More than twice that number of activists were jailed in the protests after Thanksgiving.

### Back to the Future?

U.S. labor's revived use of direct action harks back to an earlier era of industrial relations, prior to the passage of the National Labor Relations Act in 1935. It draws on organizational models more typical of the late-nineteenth and early twentieth centuries than the last seventy-five years. At a conference last year on "New Models of Worker Representation," AFL-CIO president Rich Trumka declared that our "system of workplace representation is failing to meet the needs of America's workers." He touted "new models for organizing workers" that do not necessarily involve traditional collective bargaining relationships and pledged to assist "any worker or group of workers who wants to organize and build power in the workplace."<sup>14</sup>

The "Alt-labor" initiatives now being embraced by the AFL-CIO reflect a broader conception of labor organization long championed by the left. Critics of "contract unionism," like Stanley Aronowitz and others, have argued for years that union membership and functioning should not be defined by statute or limited to formal collective bargaining units. Losing a Labor Board election, not having enough support to get one, or lacking a union contract does not pose any legal barrier to workers acting collectively for their own benefit. With or without outside organizational backing, they can maintain workplace committees and engage in "concerted activity" aimed at getting management to improve wages, working conditions, and benefits. At least one well-known labor law professor, Charles Morris, has even argued that the NLRA supports such "minority union" efforts to engage employers in "members-only bargaining."<sup>15</sup> (Several labor attempts to get the real-existing NLRB to act on this theory have been unsuccessful in workplaces where union supporters had not yet demonstrated the majority support necessary for legal certification of a new collective bargaining unit.)

Not surprisingly, "do-it-yourself workplace organizing" was championed on the margins of organized labor, before it became, under duress, more mainstream. In their lively pamphlet, *Solidarity Unionism at Starbucks*, former Industrial Workers of the World (IWW) organizer Daniel Gross and labor historian Staughton Lynd recount the history of recent IWW skirmishing with the coffee-shop chain created by billionaire Howard Schultz.<sup>16</sup> In 2004, the century-old radical union became active among New

York City “baristas,” most of them part-timers, who were “fed up with living in poverty and being mistreated.” According to Gross and Lynd, Starbucks workers are not, as a practical matter, able to seek NLRB-sponsored elections: “even if they wished to do so,” because the company “maintains that the appropriate bargaining unit for employees would be a prohibitively large multi-store unit.” In addition, the low-budget IWW has a political bias against even “using the statutory mechanism designed to produce exclusive bargaining representation.” When U.S. unions get legally certified, they acquire “the power to bargain away members’ rights to engage in concerted direct action.” That is why, the authors believe, “workers themselves on the shop floor, not outside union officials, are the real hope for labor’s future.”

### **Militant Minority Unionism?**

Instead of seeking formal bargaining rights via NLRB-conducted representation elections, IWW supporters at Starbucks tried to extract concessions from the company through direct action on the job, combined with creative public protests and embarrassing publicity. (When Starbucks retaliated against inside organizers like Gross, the IWW did file unfair labor practice charges at the NLRB, just as OUR Walmart has done to contest the retaliatory dismissal of its supporters and other forms of illegal management behavior.) As one sign of the IWW’s impact, Gross and Lynd cite wage increases introduced by Starbucks, in response to New York City barista agitation, which “increased pay almost 25% in a period when retail wages in the city were essentially stagnant.”

In Massachusetts, an IWW-assisted online petition campaign and a threatened strike by shift supervisors won concessions from management worth a million dollars annually in bonuses and raises. This dispute broke out after Starbucks was forced to exclude its shift supervisors from sharing in tips—a practice that violated the wage-and-hour law rights of hourly workers. For some supervisors, however, this policy change meant a pay cut of nearly 20 percent. The supervisors sought help from the union for a protest campaign that led to an increase in their hourly wages from \$11 to \$13.59 and additional bonuses of \$350. “I think this is the shape of things to come,” predicts IWW-activist Erik Forman. “Workers are deciding to take action on the job because capital is destroying the legal framework that unions have existed under in the U.S. since 1935 in the private and public sector.”

As a former fast-food worker himself, Forman finds the “prospect of a new militancy emerging with backing from bigger institutional players” to be “exciting.” Over the past year, he notes, “a wave of telegenic one-day fast food ‘strikes’ has exposed an ugly reality. The world of exploitation behind every hamburger and fries is hidden no longer.” But Forman worries that Fight for 15 may not represent a sufficient “departure from business unionism.

as usual." Already, he reports, "rank-and-filers in the Fight for 15 have begun building their own organizations autonomous from the campaign bureaucracy, connecting with community supporters who are free from the fetters of a paycheck signed [by the SEIU]." <sup>17</sup>

Reflecting similar left skepticism, *Labor Notes* reporter Jenny Brown observed, with no small degree of wonder, that "after years of downplaying strikes, the union that's funding fast food organizing is now embracing the tactic." Some activists interviewed by Brown worry that SEIU is not "providing a sustainable organizing home beyond the workplace—particularly important in the high turn-over restaurant industry." Others question whether "the union will commit sustained resources and not leave workers in the lurch if legislative goals [i.e., a higher minimum wage] aren't immediately met." <sup>18</sup>

After his own extensive interviews with Fight for 15 organizers around the country, *In These Times* writer Arun Gupta praised the campaign for "setting in motion thousands of working poor, mainly African Americans and Latinos" and "generating excitement that a popular movement can finally go on the offensive against corporate power." Like Forman and Brown, however, he also expressed doubts about "whether Fight for 15 is fundamentally a worker organizing campaign or a 'march on the media,'" masterminded by SEIU-funded PR consultants like BerlinRosen or Purpose, which helped "brand" the campaign as part of its own multinational promotion of "movement entrepreneurship." <sup>19</sup>

### Opening for the Left?

But other young leftists, including some directly involved in recent strike activity, see expanded opportunities for bottom-up organizing. According to Whole Foods worker Trish Kahle, the city-wide walk-out by two hundred fast-food and retail workers in Chicago last year emboldened nine coworkers in her own store to take a stand against "a draconian attendance policy and poverty wages." Kahle notes that "strikes are nearly non-existent in shops like mine, and almost none of my co-workers have ever been in a union." The cofounder and CEO of Whole Foods is Texas-based John Mackey, a libertarian union-buster who once famously compared unionization to herpes because "it won't kill you, but it's very unpleasant and will make a lot of people not want to be your lover." Nevertheless, after joining the strike, Kahle got a raise from her store manager and more than a dozen other Whole Food workers all wanted to know how they could join "the union."

"Is this a worker-run campaign that workers have conceptualized and carried out entirely by themselves? Not yet," Kahle admits. "But workers are being transformed into union leaders for the first time by participating in this movement and radicals are in a position to shape it by rebuilding the tradition of radical unionism." In Chicago, one other influence cited by Kahle is the

local teachers' union, whose striking members were seen as "standing up for all working people" in the fall of 2012. Months later, Kahle reports, "workers would break out into applause" whenever the CTU was mentioned at fast-food organizing meetings.<sup>20</sup> She believes that picket-line fraternization between fast-food workers and rank-and-file SEIU members could raise expectations among the latter. "They're thinking, 'I only make \$10 an hour and I'm in the SEIU,'" she says. "The people on top at the SEIU aren't interested in organizing on the shop floor, but we are."<sup>21</sup>

Texas labor activist Ryan Hill takes a similar ecumenical tact in his appraisal of both OUR Walmart and Fight for 15. "There's an impressive boldness in both of these campaigns that we haven't seen from labor in many years of defensive struggles, setbacks, and outright defeats," Hill contends. "Many of the activists involved cite the Occupy encampments of two years ago as a formative political experience.... Most importantly, workers have been energized—not just any workers, but those in industries still largely considered 'unorganizable.'"

In Hill's view, "both campaigns have been building organizations that can keep workers plugged in for the long haul," even if the current "layer of leaders, activists, and supporters within targeted companies is still thin." He urges others on the left to forgo the comforts of armchair generalship, not to mention the temptations of Monday-morning quarterbacking. If more labor activists pitched in to build "independent support committees"—or better yet, took a job with an employer targeted by one of these campaigns—the "army of dedicated, militant, and motivated supporters" needed "to beat a company like Walmart or McDonalds" would be much stronger and deep-rooted.<sup>22</sup>

Whatever long-term fate awaits either campaign, the opportunity to be part of a "militant minority" within the working class—that is currently engaged in rediscovering older forms of labor struggle—is not one to be missed. And there is no better place to relearn lessons about workers' capacity for self-organization and empowerment than struggles that are not going to be won if either force for change is constrained in any way.

## Notes

1. Union security clauses typically require that all union-represented workers have either dues deducted from their paychecks or, if they choose to be non-members, an equivalent amount in the form of "agency fees." The strongest form of union security requires everyone in the bargaining unit to become a union member. In September, 2013, a county judge struck down Indiana's right-to-work law but the state supreme court was expected to uphold its constitutionality. See Tim Evans, "Indiana Attorney General Appeals Ruling That 'Right-to-Work' Is Unconstitutional," *IndyStar*, September 12, 2013, <http://indystar.com>.
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3. Quoted by Monica Davey, "Michigan Labor Fight Cleaves a Union Bulwark," *New York Times*, December 10, 2012, <http://nytimes.com>.
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6. For a lengthier appreciation and defense of Occupy's resonant political rhetoric, see Michael Yates, "We Are

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7. Nelson Lichtenstein, "Class Unconsciousness: Stop Using 'Middle Class' to Depict the Labor Movement," *New Labor Forum* (Spring 2012): 11–13. For the most persuasive book-length statement of this argument, see Michael Zweig, *The Working-Class Majority: America's Best Kept Secret* (Ithaca, NY: Cornell University Press 2000).
  8. For the best collective assessment of all aspects of the struggle in Wisconsin, see Michael D. Yates, ed. *Wisconsin Uprising: Labor Fights Back* (New York: Monthly Review Press, 2010).
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  11. Josh Eidelson, "Surprise Fast Food Strike Planned in St. Louis," *Salon*, May 8, 2013, <http://salon.com>; and "Fast Food Strikes to Expand Massively," *Salon*, August 14, 2013, <http://salon.com>. For a more sober appraisal of the difficulty of building durable, self-sustaining workers organizations in these sectors, see Arun Gupta, "The Walmart Working Class," in Leo Panitch, Greg Albo, and Vivek Chibber, eds., *Socialist Register 2014: Registering Class* (New York: Monthly Review Press, 2014).
  12. Jenny Brown, "Retaliation Is Illegal, But Walmart Doesn't Care," *Labor Notes*, September 2013, 14–15. A Brown reports, "some fast-food workers have also been fired for organizing."
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## MONTHLY REVIEW

## Fifty Years Ago

Socialists worthy of the name must never renounce or play down the critical and revolutionary mission which is their *raison d'être*. People living under capitalism necessarily and inevitably suffer its evil consequences, whether in the form of unemployment and poverty or of spiritual emptiness and cultural degradation. It is the sacred duty of socialists to bring to full consciousness the truth that all of these evils spring from the monopolization of the means of production by and in the interests of a tiny minority of society, and that there can be no remedy which leaves the root cause untouched.

—Leo Huberman and Paul M. Sweezy, "War on Poverty?,"  
*Monthly Review*, February 1964

# Social Inequities and Exclusions in Kerala's 'Egalitarian' Development

C.U. Thresia

Social inequalities and exclusions can devastate people's lives, especially when they are far from the centers of power and control. This wreckage can be seen in many different parts of their lives, but particularly in their health. The health of any given country's population is primarily determined by politics, and public policies play a critical role. All over the world, countries with a history of egalitarian ideologies, and corresponding policies aimed at reducing social inequalities, have healthier populations.<sup>1</sup> The Indian state of Kerala, which has a long-running radical political tradition and a history of social-reform movements in the early twentieth century, is acclaimed for its achievements in health and social-sector development, including low levels of mortality and fertility, and high levels of life expectancy and literacy—all despite its low-performing economy. Kerala has become a veritable mecca for other low-income nations in social development and health advancement. Some argue that Kerala is important as a model for third world countries, where centuries of colonialism and decades of Western-sponsored development initiatives have created high levels of inequality and misery for the poor.<sup>2</sup>

Scholars such as Amartya Sen have attributed many of the advancements in Kerala's health and social development in the second half of the twentieth century to the democratization process, agrarian reforms, and public action. Others have emphasized the role of health-care services and education, particularly women's education, in achieving better health.<sup>3</sup> These claims were often made without much epidemiological basis and conceptual clarity.<sup>4</sup> The state's strong communist movement and its politics in welfare policies contributed to gains in social-sectoral development in Kerala.<sup>5</sup> They have given an impetus to anti-capitalist political traditions the world over. But they have also helped international development agencies (including the World Bank, United Nations, and the Rockefeller Foundation—all financially and

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ideologically supported by the advanced capitalist nations) to promote a "model" for poorer countries which argues that economic growth is not necessarily a precondition for social development.

However, in the global public-health discourses the "good health at low cost" experience in the post-Second World War and post-colonial world—mainly in China, Cuba, Kerala, and Sri Lanka (all areas with communist revolutionary traditions), as well as Costa Rica—foreshadowed the comprehensive social-development-oriented notion of "primary health care" which was put forward in the 1978 Alma-Ata Declaration. This perspective in public health appropriate for developing nations focuses on health-system development with an emphasis on fulfilling basic needs, including health care, and changing both the distribution of resources as well as the underlying socioeconomic conditions.

Unfortunately, a conceptual shift to "selective primary health care"—a fragmented, technocentric, and individual-disease-focused vertical model, which is also more conducive to liberal ideology—cropped up within a year, and by the early 1980s was endorsed by UNICEF (United Nations Children's Fund). Not surprisingly, such a shift was under the pretext of insufficient improvement in the population-control measures in the developing countries.<sup>6</sup> However, even after several years of "vertical interventions," preventable diseases remain a major challenge for developing countries, while the initiatives to suppress principles of primary health care in favor of an unscientific, market-driven agenda have resulted in the virtual disappearance of public-health practice in countries like India.<sup>7</sup>

In today's globalized and liberalized world there is a huge concentration of economic, political, social, and cultural resources and powers among the dominant classes, groups, and genders, in both the global North and South, while the health and well-being of the other classes are endangered. This is reflected in the widening health inequities and health-system failures in both the developed nations and developing nations,<sup>8</sup> including the "good health at low cost" regions. Notably, even in Kerala, data indicates that such deprivation is not just limited to the poor, but in recent decades has expanded far beyond this.

Kerala has a lengthy history of social-reform movements, and anti-caste, anti-feudal, and anti-imperialist struggles. Post-independence Kerala had a few solid Communist ministries until the mid-1970s (elected at different intervals) which promised agrarian reforms, and thereafter often had alternating left and non-left governments with relatively better welfare inputs.<sup>9</sup> Yet, the left could not contain the enduring inequities of caste, class, gender, and ethnic exclusions in health and social development.<sup>10</sup> Furthermore, in addition to the widening health and income inequities, there are newer forms of marginalization appearing, including increasing informal employment, immigrant labor with higher levels of exploitation, and ecological devastation, as part of the changing



socioeconomic, political, and cultural context of neoliberalism.

It is in this context of locating health and development in a wider sociopolitical, cultural, and ecological perspective (as an interconnected and interacting whole), that the inequities and exclusions in Kerala's health and social development, and its linkages with an interdisciplinary approach, will be explored. First, the health achievements and inequities in Kerala health will be looked at, followed by the historical trajectories of "egalitarian" development, contemporary politics, and public policies which impede health equity and social justice.

### **Health Achievements**

Kerala's health achievements date back to the early decades of the last century. Mortality rates started declining steadily in the 1920s, and by 1940 Kerala had the lowest death rate among the major states in India. By the late 1970s, Kerala's health and educational gains improved substantially and the state began to achieve indices comparable to the developed world. In 1977–1978 the estimated crude death rate in Kerala was a seven, lower than developed countries' average estimate of nine. During the same period, infant mortality fell to three times lower, and life expectancy increased considerably higher, than the national Indian figures.<sup>11</sup> In 2009, the infant mortality rate in Kerala was only twelve, comparable to the upper-middle-income countries such as China (fourteen) and Costa Rica (ten and a half). Life expectancy (seventy-four years) was comparable to economically advanced countries such as the United States (seventy-six), Canada (seventy-nine), or to communist Cuba (seventy-eight). Today, Kerala ranks highest in the human development index in India, a country with the highest under-five-years-old child-mortality rate (26 percent) in the world; this is several times higher than sub-Saharan African and other South Asian countries such as Democratic Republic of Congo (7 percent), Pakistan (5 percent), or China (4 percent).<sup>12</sup> However, Kerala's health achievements do not preclude an analysis of the health inequities and the challenges it faces.

### **Health Inequities and Challenges**

Despite its history, the progress of health improvements in Kerala, especially after the 1990s, was not impressive. The infant mortality rate increased 9 percent between 2003 and 2012; childhood anemia increased from 44 to 56 percent and underweight conditions among the children younger than three increased from 27 to 29 percent between 1998 and 2006, according to the National Family Health Surveys.<sup>13</sup> During the same period, child immunization coverage declined from 80 to 75 percent, whereas levels of anemia among ever married women ages fifteen to forty-nine increased from 22.7 to 32.4. Further, the state faced several public-health challenges,

including the burden of new infectious diseases, rising chronic morbidity, declines in mental health, lack of access to quality health care, medical poverty, and widening health inequities across class, caste, gender, and ethnic groups. (Medical poverty is the rise in out-of-pocket expenses for both public and private medical care which is driving many into poverty, and increasing the poverty of those who are already poor.) This has been particularly true during the last two decades of neoliberal policies, which were characterized by increased marketization and weakened public-sector provisions.<sup>14</sup> Not surprisingly, deprivation related to medical poverty, morbidity burdens, and lack of access to health care are found to be more prominent among the poor, lower castes, and indigenous tribal peoples.<sup>15</sup>

Undermining the fact that health is a goal of state action and it is determined by wider political and social factors, the state seeks solace in promoting the growth of private-sector health care: The neoliberal period witnessed the mushrooming of high-technology diagnostic centers, multi-specialty hospitals, and teaching institutions (medical colleges), and a variety of public-private partnership schemes including insurance (Rashtriya Swasthya Bhima Yojana) and the Karunya Benevolent Scheme. As part of these schemes, the government has given substantial sums to private institutions in the previous year. On the other side, there are few efforts to improve the quality of public-sector health-care services due to the dwindling resource base. Although the National Rural Health Mission increased funding for this, its results were disappointing due to its fragmented and technocentric approach. Unfortunately, the private institutions and schemes have little transparency and accountability while the government, irrespective of who is in power, has failed to regulate, standardize, and control the private sector. Often there are widespread unethical practices, including medically unwanted surgeries, unnecessary and expensive laboratory tests, and inappropriate drug prescriptions. However, these malpractices are not just limited to the large-scale private sector.<sup>16</sup> Notably, small- and medium-sized private health-care institutions, with relatively smaller capital investments and that cater to the lower-middle class in remote areas, are on a decline. Indeed, all these factors indicate that the state painfully lacks public-health competence, and the bungling public-health administration and health-ministerial leadership add to such woes. Even the decentralization of Kerala's health sector, according to a government report, did not yield the expected results; this was due to a number of reasons, including the burden of resource mobilization which the local self-government institutions were left with, and a poor interface between these institutions and medical professionals.

However, inequities in Kerala's health and social-sector development are not limited to just the periods of neoliberalism; although a proper study is yet to be done, these inequities reflect historical divisions in geographic terrain,

region, caste, class, gender, and ethnicity. During the early twentieth century, the infant mortality rate in the Malabar region, under British rule, was nearly double that of Thiruvathamcoor-Kochi, the South-Central region under princely rule (210 to 120). Similar inequities existed in different geographical terrains of the state; the high-land was more disadvantaged in health indices compared to the middle- and low-lands, although the differentials across these geographical regions and terrains have narrowed down significantly.<sup>17</sup> Similarly, even though Kerala is renowned for its low levels of caste and ethnic discrimination, the legacy of inequities has been reflected in higher levels of birth and death, infant mortality, and morbidity rates, and comparative lack of access to health care among the lower castes and tribes.<sup>18</sup> In terms of out-of-pocket medical care and resultant medical poverty, tribes were more vulnerable and devastatingly disadvantaged followed by the Scheduled castes.<sup>19</sup> Although at least some of the lower castes enjoy the benefits of Kerala's social achievements, ethnic discrimination leaves tribes fully deserted, with a staggering toll of ill-health, misery, landlessness, and poverty.

Gender inequities pose another major challenge, despite the mortality and fertility gains of women's health in Kerala. Beyond the conventional indicators there are a number of dimensions in women's health, including increasing violence against women, a high rate of suicides (and suicide attempts), declining mental health, higher morbidity, and reduced access to health care, which have all been masked due to gender bias in health research and policy.<sup>20</sup> In the rural areas of the state, suicide is the chief cause of death among women aged fifteen to twenty-four.<sup>21</sup>

In addition to these structural issues, the changing global and local sociopolitical, cultural, and environmental context has created newer health issues and challenges in the state. There is a dearth of information on health issues related to increasing emigration and immigration, while those related to the cuts in public expenditure—including nutrition and employment—have yet to be analyzed. Nevertheless, public-health erosion was more apparent in the recent decades. This is likely to be a result of ecological degradation from lopsided development projects and a radical shift in land-use patterns and agricultural practices, including the use of lethal pesticides such as endosulphan, as well as a lack of proper management of solid and liquid waste. In short, all these inequities and challenges are closely interlinked with the state's historical and sociopolitical development process, since health outcomes are socially and politically rooted.<sup>22</sup>

### Issues in "Egalitarian" Social Development

Given that health is largely determined by politics and public policies, the state's "egalitarian" social- and health-development pathways have benefited

from Kerala's unique history of anti-caste and anti-feudal struggles, social-reform movements, radical political mobilizations, and matrilineal traditions. Further, the missionary educational endeavors, indigenous systems of medicine, and a favorable environment with abundant natural resources, were all factors in the health and social developmental gains. Nevertheless, the state's social-development history has also been riddled with a variety of structural inequities and disparities of class, caste, gender, and ethnicity as well as issues of poverty and unemployment. Indeed, these unaddressed inequities, which have a decisive role in determining the health of the local population, date back to the period before independence. Historically, Kerala has had overwhelming levels of poverty and unemployment, although the recent National Sample Service Organization statistics indicate a sharp decline. Since the 1950s Kerala has had the highest unemployment in the country, and today the proportion of unemployment of the educated in the state has assumed alarming proportions. Even in 1998, the organized workforce in Kerala was only equal to the workforce who had emigrated abroad. Likewise, in 1970–1971, the proportion for rural and urban areas of the population below the poverty line (rural: 69.0 percent; urban: 62.4 percent) was considerably higher than the corresponding figures for the rest of India (rural: 57.3 percent; urban: 45.9 percent).<sup>23</sup> Although there has been a reversal since 1983–1984, Kerala still retains several pockets of poverty, especially in the traditional sectors of the economy such as agriculture, cashew processing, coir, handloom weaving, and fishing. However, pointing to the flaws in the assessment of poverty, Prabhat Patnaik, the ex-Vice Chairman of the Kerala State Planning Board, argues that during 1993–1994, in the direct assessment of rural poverty based on caloric requirement (2,400/day), 84 percent of the people would be poor, as opposed to the 25 percent reported by the Planning Commission. While even at a lower level of 1,800 calories, the prevalence of poverty would be 40 percent in 1993–1994 and 38 percent in 1999–2000.<sup>24</sup> Notably, community-based studies indicate that during the late 1990s and early 2000s, 80 percent of the agricultural and 70 percent of the cashew-processing households respectively did not have two full meals a day for all its members all around the year.<sup>25</sup>

Similarly, the historical legacy of caste and ethnic discrimination is apparent in several spheres of Kerala's development process, even though today the caste system no longer explicitly epitomizes political power and economic hierarchies. A lot of water has flowed under the bridge of history since the anti-caste, anti-feudal, nationalist, and leftist movements of pre-independence Kerala. Then the lower castes enjoyed hardly any rights, owned far less land, and were virtually absent in public-sector employment and higher education. Even in 1968, only 4 percent of Scheduled castes were salaried, compared to 52 percent of Brahmins.<sup>26</sup> Furthermore, the globally

acclaimed land reforms of the early 1970s were of little benefit to the vast majority of the landless agricultural laborers, drawn largely from the lower castes. In 1992, the average landholding of Scheduled castes in Kerala (0.07<sup>26</sup> hectares) was less than the Indian average for the same group (0.49 hectares). Nor did the better wages in the state improve their consumption status, since monthly per capita consumption expenditure for Scheduled castes in 1983–1984 was only about three-fourths of the non-Scheduled castes.<sup>27</sup> Even worse, tribals were gradually alienated from their land: their ancestors, gods, goddesses, and women were taken away (the proportion of unwed tribal mothers was enormously high), and much of the tribal population became laborers of the settlers in highly exploitative conditions burdened with horrendously high levels of poverty, illiteracy, and lack of access to health care.

The anguish of caste and ethnic deprivation was more evident in the recent uprising for land by tribals and Scheduled castes, despite the brutal retaliation by both left and non-left governments. Excepting a very small proportion of the lower castes who can reap the benefits of public policies, the majority of the Scheduled castes, and nearly all of the Scheduled tribes, seem damned to remain the “wretched” of Kerala. Despite the “democratization” of caste hierarchy which occurred in Kerala through the historic anti-caste, anti-feudal, and leftist movements, even in the 1990s there was not much leveling or abolition of caste identities in the state.<sup>28</sup>

The history of social development in Kerala favored women to a certain extent, and their general health and educational gains were well acclaimed. However, despite Kerala ranking number one in India’s gender development index, evidence shows that beyond the conventional indicators, it has been like any other state in the country.<sup>29</sup> The persistence of higher levels of gender inequities is illustrated by women’s limited representation in the political power structure, subjugation in economic spheres, far lower levels of land ownership and technological education, predominance in less-capital-intensive and low-technology work under exploitative conditions, limited decision-making roles in the household and public sphere, and in increasing violence against them.<sup>30</sup> Given Kerala’s sturdy patriarchal history, it is hardly surprising that the women’s (and girls’, too) desire for freedom and dignified life is met with undemocratic relations: increasing rape, sexual harassment, and cruelty by husbands and relatives.<sup>31</sup>

While structural inequities play a major role in overturning the history of social and health improvements in the state, developments in contemporary Kerala arising out of “growth mediated development” policies since the late 1980s have created newer forms of deprivation and adversity. The increasing migration and resulting remittances of the late 1980s helped revive economic growth, and between the 1980s and ‘90s a million people left Kerala.<sup>32</sup> However, during this time the increase of organized workers in the state was

only by 230,000 and factory workers only by 71,000. Furthermore, the radical shift in agriculture from rice paddy farming to more perennial and profitable crops resulted in a decline in the agricultural working class. But this did not result in the growth of industrialization and an industrial working class; rather, it reinforced cleavages including widening income inequalities and growing informal-sector employment. Given the higher wages in the countryside, the transformations in the employment market and the low preference for manual and relatively less technically skilled jobs within the state led the way for a heavy influx of migrant labor, which may lead to further social and public-health problems.

The far-reaching impact of the shift in agriculture is also likely to lead to food-security problems since there was an over three-fold decline in the area of rice cultivation, and in production from 1 million to 500,000 tons, between 1960 to 2010. This agricultural shift also paved the way for indiscriminate land-use patterns: massive conversion of paddy fields and wetlands for commercial purposes, including booming construction and real estate businesses. The thriving “real estate mafia” in Kerala makes land a precious commodity by reclaiming wetlands, destroying hills, clearing forests, and converting rivers and ponds to cesspools as byproducts of sand mining for construction.

In short, along with the structural inequities, these transformations—including migration, shifts in agriculture, increasing informal-sector jobs, increases in pay for the salaried class, and legitimate and illegitimate accumulation through avenues such as real estate—have all accelerated ecosystem pathologies, economic cleavages, newer class relations, and inequities in health and social-sector development in the state. The ostentatious consumer culture of the middle class is booming, while the poor and the marginalized become more vulnerable, with widening income and health inequalities. These are the outcomes of contemporary politics and policies.

### Contemporary Politics

Kerala's sociopolitical history of radical movements helped improve the state's health and social development. Today's global and national environment, which is more conducive for unfettered market growth, is characterized by increasing class divisions and inequality, and the contemporary politicians in Kerala assume that private capital is the only path to growth and development. Reluctant to learn from their own history, and defining development as “economic growth,” the government—whether left-wing or not—desperately seeks national and international capital, emphasizing tourism and information technology as the main sources to develop the economy and generate employment. However, the disappointing

outcome—only a trifle sum of investment resulted—of the much-hyped global investor meet, a massive call for private capital by the non-left-wing government in 2003 seems to have continued in “Emerging Kerala,” another investor meet by the same ruling front. This time, perhaps, the disarray is related to issues of land and ecological devastation, since many of the tourism projects are in, or on the fringes of, ecosensitive forest areas. Sadly enough, Kerala’s Communist government (most recently 2007–2011), which vowed to fight capitalism and globalization, tried their best to proclaim that they were *not* against foreign capital, ecohazardous projects, or even proposals for special economic zones which destroy the socioeconomic and cultural habitat of the state. Perhaps, these meetings turned out to be good opportunities for getting land and resources from the government for a pittance, compared to the open market. Except for a few small social movements, the larger political fronts were by-and-large unpardonably silent about each other’s lopsided development initiatives throughout these recent past decades.

Despite Kerala’s reputation for achievements in health and in reducing social inequalities, the recent period has seen a disquieting trend in these arenas. Indeed, throughout the development process, the Scheduled castes, Scheduled tribes, and women gained little or nothing. Evidence shows that caste/ethnic inequities were not extinguished nor were the disadvantaged enabled to compete with the upper caste/class populations on equal terms. Mounting gender inequities and violence against women in the state, shameful to any democratic polity, indicate the social pathologies of capitalist and patriarchal dominations, and their associated insecurities and commercialization of human relations. With the increasing consumerist culture of Kerala’s middle and upper classes, they have also shown relatively better health indices, while Scheduled castes, Scheduled tribes, and women have fallen yet further behind.

However, evidence indicates that political traditions which are more committed to economic and social redistribution and full-employment policies are more successful in improving the health of populations.<sup>33</sup> Kerala’s non-left government has been strangled in rampant corruption and yielding to community politics (where organizations bargain for community-based benefits). Meanwhile, the left is riddled with internal strife, political vengeance, and a transformation in their political-economic arenas from cooperatives to corporations.<sup>34</sup> More than ever, there is a pressing need for the left to play a major role in Kerala. Unfortunately, there is a glaring mismatch between the left’s ideals and its actual policies and programs on critical issues such as land, agriculture, health, and development—as well as issues of caste, gender, and ethnic inequities. Such a political milieu favors the growth of communal forces and community politics, rather than creating a social environment conducive for delineating equitable public policies and strategies to take on the health and development challenges of the state. A successful

communist party needs ideological unity to make its political capability and strength operate in contact with the masses.<sup>35</sup> This necessitates a critical reanalysis of the newer class relations, exclusions, and inequities in Kerala's contemporary health and social development process with an interdisciplinary perspective. A unitary approach to the complexities of health inequities and social exclusions, to the biological/medical, social, political, economic, cultural, and environmental aspects of a deteriorating situation, is demanded by the times.<sup>36</sup>

## Notes

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# Reflections on the New International

István Mészáros

*Dedicated to the Memory and Legacy of President Hugo Chávez*

## I.

The need for the establishment and successful operation of *The New International* is painfully obvious and urgent today. The enemies of a historically sustainable societal reproductive order, who occupy at the present time still the dominant position in our increasingly endangered world, do not hesitate for a moment to exploit in the interest of their destructive design, with utmost cynicism and hypocrisy, the existing decision-making and opinion-forming organs of the international community, from the Security Council of the United Nations to the great multiplicity of the national and international press and to the other mass media under their direct material stranglehold. This has been repeatedly underlined by the methods with which they “justify” their unlawful wars in the Middle East and elsewhere, with a vast network of international bodies and organizational resources at their disposal. At the same time the adherents of the much needed socialist alternative are fragmented and divided among themselves, instead of internationally combining their strength for the cause of a successful confrontation with their adversaries.

In reality the enemies of socialism are attempting to *recolonize the world* in the name of their preposterous inhuman ideology which targets even with the most violent means the countries of the so-called “axis of evil,” in former U.S. President George W. Bush’s belligerent rhetoric—not shirking from the open advocacy of “liberal imperialism” (in the words of Robert Cooper, British Labour Prime Minister Tony Blair’s “guru” and high-ranking diplomat, subsequently special adviser to the EU’s Foreign Affairs Chief, Xavier Solana).

This is how one of the most influential British Sunday newspapers, *The Observer*, introduces Cooper, the author of an aggressive and highly publicized war-mongering propaganda manifesto:

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This article was originally a discussion paper drafted in 2010 after a long discussion with President Hugo Chávez and was written at his request.

Senior British Diplomat Robert Cooper helped to shape British Prime Minister Tony Blair's calls for a *new internationalism* and a new doctrine of *humanitarian intervention* which would place *limits on state sovereignty*. Cooper's call for a new *liberal imperialism* and admission of the need for a *double standard in foreign policy* have outraged the left but the essay [popularized by *The Observer*] offers a rare and candid unofficial insight into the thinking behind British strategy on Afghanistan, Iraq and beyond.<sup>1</sup>

In fact Cooper's article offers a characteristic ideological rationalization not only of the pernicious "thinking behind British strategy on Afghanistan and Iraq" but also about the thinking at the roots of overwhelmingly dominant global hegemonic U.S. imperialism which recklessly plays with fire—potentially even with nuclear fire. Here are the main points of Robert Cooper's appallingly pretentious jargon-regurgitating article which—on account of its arrogant advocacy of "*the need for colonialism*" and for a "*sovereignty-limiting humanitarian intervention*" by renewed imperialist "*internationalism*"—must be tellingly propagandized and promoted with reverence in the bourgeois press:

While the members of the *postmodern* world may not represent a danger to one another, both the modern and the pre-modern zones pose threats. The challenge to the postmodern world is to get used to the idea of *double standards*. Among ourselves, we operate on the basis of laws and open cooperative security. But when dealing with more old-fashioned kinds of states *outside the postmodern continent of Europe*, we need to revert to the rougher methods of an earlier era—*force, pre-emptive attack, deception*, whatever is necessary to deal with those who still live in the nineteenth-century world of every state for itself. Among ourselves, we keep the law but when we operate in the jungle, we must also *use the laws of the jungle*. The challenge posed by the *pre-modern world* is a new one. The pre-modern world is a *world of failed states*.... It is precisely because of the *death of imperialism* that we are seeing the emergence of the pre-modern world. *Empire and imperialism* are words that have become a form of abuse in the postmodern world. Today, there are no colonial powers willing to take on the job, though the opportunities, perhaps even the *need for colonization*, is as great as it ever was in the nineteenth century. All the *conditions for imperialism* are there, but both the supply and demand for imperialism have dried up. And yet *the weak still need the strong* and the strong still need an *orderly world*. A world in which the *efficient and well governed export stability and liberty*, and which is open for investment and growth—all of this seems eminently desirable. What is needed then is a *new kind of imperialism*, one acceptable to a world of *human rights and cosmopolitan values*.<sup>2</sup>

The fact that the intellectual standard of such “strategic thinking” is at the level of a charlatan’s feverish projections makes absolutely no difference to its eager propagandists. For the pernicious interests of aggressive imperialist domination must elevate all self-proclaimed “visions” of this kind (boastfully named a “real vision” by its author) to the height of universally commended “democratic” wisdom. At the same time the hostile propa-ganda tenets advocated in them must be declared to constitute the unchallengeable manifestation of “*human rights and cosmo-politan values*.” This is just like former President Bill Clinton’s grotesque but equally aggressive decree which arrogantly proclaimed that “there is only *one necessary nation*, the United States of America.”

Understandably, of course, the same naked imperialist spirit was embodied in then-U.S. Deputy Secretary of State Richard Armitage’s crudely voiced threat, as reported (in a live television interview broadcast in Washington in 2006) by none other than Pakistan’s head of state at the time, General Musharraf, who received the threat. According to Armitage, Pakistan would be “*bombed back to the Stone Age*” (no doubt through the good services of the required destructive power of nuclear weapons) unless Musharraf’s Government fully obeyed the orders of the United States in relation to the ongoing war in Afghanistan.

In the same way, another high-ranking “strategic thinker” of the U.S. administration, Thomas Barnett—the Senior Strategic Researcher at the U.S. Naval War College in Newport, Rhode Island—pontificates in his book, in the words of one insightful reviewer, that:

Strategic vision in the United States needs to focus on “growing the number of states that recognize a stable set of rules regarding war and peace.” ... The United States, he thinks, has a responsibility to use its tremendous power to make globalization truly global. Otherwise portions of humanity will be condemned to an outsider status that will eventually *define them as enemies*. And once the United States has named these enemies, it will invariably *wage war on them, unleashing death and destruction....* This is not *forced assimilation*, Barnett claims, nor the extension of empire; instead it is the *expansion of freedom*.<sup>3</sup>

Moreover, the brutal implications of this “freedom-extending strategic vision” are spelled out in this openly cynical and aggressive way in an article written by the same Thomas Barnett to *Esquire* magazine: “What does this new approach mean for this nation and the world over the long run? Let me be very clear about this: The boys are *never* coming home. America is not leaving the Middle East until the Middle East joins the world. It’s that simple. *No exit means, no exit strategy*.”<sup>4</sup>

Naturally, it is totally irrelevant with regard to the customary cynicism and hypocrisy with which the justifications of war and of actual war crimes are served up for public consumption, which one of the two political parties forms

the government in the United States at the time. The presidents and presidential candidates as a rule solemnly declare, in righteously claimed conformity to international law, that in their war enterprises there could not be any question of pressing for “*regime change*,” while knowing only too well that precisely regime change—in the interest of the global hegemonic imperialism of their state—is the true objective of their constantly renewed war adventures.

A blatantly obvious example in this respect was the case of Democratic presidential candidate and former vice president Al Gore who assured his electoral audience in 2002, with unctuous hypocrisy, that he supported without any reservation the planned war against Iraq because such a war would not mean “*regime change*” but only “*disarming a regime which possessed weapons of mass destruction*.” The pretended “*weapons of mass destruction*,” as we all know, did not exist in Iraq at all, but the cynically denied objective of “*regime change*” was ruthlessly asserted by the war waged on that country, causing the death of hundreds of thousands of people.

No one should be surprised, therefore, that the same utterly cynical and hypocritical policies are being forced upon international decision-making bodies in our own days by Western presidents and prime ministers just as the ones painfully witnessed in the past. The deceitfully justified war against Libya is an obvious example in this respect. The Presidents and Prime Minister of the Western “*democracies*” seem to presume, fully in tune with their cynically proclaimed “*double standard in foreign policy*,” that they can always impose on the population of their countries and on the rest of the world the now experienced degradation of international law and politics in virtue of their present-day domination of the established power relations and the corresponding organs of international decision making and public opinion.

## II.

To be sure, in this way the enemies of socialism—who imperil with their reckless war adventures the survival of humanity on our planet—are trying to nullify all historical progress that has been accomplished up to the present time. They do this in order to perpetuate their so-called “*liberal imperialism*” and the total domination of the militarily less powerful countries by “*unleashing death and destruction*.” And they are bent on pursuing such aims not even in the form of the earlier threatened “*preventive strikes*” but by means of the now openly advocated totally arbitrary “*pre-emptive strikes*,” intended to be waged against whoever they may please to attack in the name of “*human rights and cosmopolitan values*” and the pretended “*expansion of democracy and freedom*” installed by their “*humanitarian interventions*.”

This is a blatant attempt to reverse the course of historical development in the last century which demonstrated the contradictory nature and the destructive untenability of monopolistic imperialist capital expansion on our planet stretched to its limits, undermining thereby even the most elementary conditions of our ecological survival by the criminally wasteful utilization of

the world's material and human resources and by the wanton destruction of nature itself. Moreover, while in earlier stages of capitalist development the established reproductive order could reconstitute its operational normality through its *conjunctural crises* and the associated periodic liquidation of unprofitable capital, in the last four to five decades of its development the now incorrigibly wasteful capital system had sunk into its ever deepening *structural crisis*.

Thus the increasing destructiveness we witness everywhere is by no means some passing historical coincidence, nor is it the corrigible aberration of some misguided policy makers and their "visionary advisers." On the contrary, it is the fateful corollary of our time, irrepressibly arising from the deep-seated *structural crisis* of our historically untenable societal reproductive order.

This is why the economic and political personifications of the capital system must resort to imposing ever-greater devastation both in the domain of material life—in the destructively productive economy and in the adventurist/fraudulent world of finance, as well as by exploiting to the point of no return the planet's vital natural resources and by irresponsibly exterminating countless living species needed for maintaining the necessary ecological balance of nature—together with the catastrophically wasteful military field; and doing all that in the vain hope of resolving (or at least indefinitely keeping under their control) the structural crisis of the established system.

However, the sobering truth of the matter is that the only feasible way of successfully resolving in a durable way the extended *structural crisis* of our dangerous productive order is the institution and the historically sustainable operation of a *radically different societal reproductive order*. For once an all-embracing productive system reaches the limits of its *structurally determined historical viability* clearly demonstrated by its increasing wastefulness and destructiveness on all planes of societal interchange, as evidenced by "globalized capital" in our time, there can be no other way of overcoming the potentially all-destructive structural determinations of such a system than the adoption of a *fundamentally different structure* of social metabolic reproduction. For the innermost *structural crisis* of a comprehensive societal reproductive order inevitably calls for the institution of an appropriate *structural change*.

During the long *ascending phase* of capital's historical development, the necessary process of capital expansion and accumulation could be carried on relatively undisturbed. This state of affairs started to change significantly with the onset of the system's *descending phase* of development in Europe, a couple of decades before the middle of the nineteenth century. At that time capital's hegemonic antagonist, labor, appeared on the historical stage with its own demands as the active subject of a qualitatively different alternative order of social metabolic reproduction, and began to assert its claims in the form of organized action.

The early formation and organization of this movement coincided with the eruption of a major economic and social crisis and the ensuing revolutionary upheavals in the 1840s in different parts of Europe. This process was necessarily associated with a vital *international* articulation of labor's demands for the establishment of a hegemonic alternative social reproductive order from that time onward, as clearly spelled out in the *Communist Manifesto* written by Karl Marx and Friedrich Engels on the request of their comrades from the Communist League founded in 1847. For the structurally entrenched reproductive order of capital, tending irresistibly towards its global extension and integration, could only be successfully overcome through the likewise globally self-assertive hegemonic alternative of labor's "new historic form." As the young Marx and Engels characterized the increasingly more serious crises of their time in the *Communist Manifesto*:

The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country.... In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, *universal interdependence of nations*.... Modern bourgeois society with its relations of production, of exchange and of property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer, who is no longer able to control the powers of the nether world whom he has called up by his spells.... The conditions of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeoisie get over these crises? On the one hand by *enforced destruction* of a mass of productive forces; on the other by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for *more extensive and more destructive crises*, and by diminishing the means whereby crises are prevented.<sup>5</sup>

However, the Communist League for which this visionary manifesto was written could not survive very long. Due to the vicious persecution and imprisonment of its organizationally weak adherents in Germany, it had to be dissolved by the remaining members in 1852, five years after its foundation. Understandably, therefore, it became obvious that only a powerful international organization of the working class could stand its ground against the onslaught of the ruling order, which was to be expected in the future, as well. Thus the need for an organizationally sustainable constitution and for the corresponding combative strategic orientation of such an international movement appeared on the historical agenda in the early 1850s and remained

ever since that time the unavoidable challenge to successive generations of capital's hegemonic antagonist.

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### III.

1. Naturally, the "*more extensive and more destructive crises*" anticipated in the *Communist Manifesto* continued to assert themselves in the capitalistically most developed parts of Europe, including France and England. Accordingly, there was a great temptation to generalize about the chances of a revolutionary transformation on that basis. Indeed, even some of Marx's own utterances in the midst of the unfolding financial crises in the second half of the 1850s pointed in that direction.

However, as a self-critical reassessment of the prospects of longer-term historical development we can read these words in one of Marx's seminally important letters to Engels:

The historic task of bourgeois society is the establishment of the *world market*, at least in its basic outlines, and a mode of production that rests on its basis. Since the world is round, it seems that this has been accomplished with the colonization of California and Australia and with the annexation of China and Japan. For us the difficult question is this: the revolution on the [European] Continent is imminent and its character will be at once socialist; will it not be *necessarily crushed in this little corner of the world*, since on a much larger terrain the development of bourgeois society is still *in the ascendant*.<sup>6</sup>

In this soberingly critical spirit, two fundamental questions had to be clearly defined in relation to the strategic orientation of the emancipatory movement of the working class: a movement which in the light of painful historical experience of its recent past (suffered through the defeat of the Communist League) had to be reconstituted on the broadest possible basis compatible with its vitally necessary combative character.

The first question in this respect was the uncompromising *overall objective* of the organized socialist movement itself, envisaging the *radical overcoming of capital's reproductive system* in its *entirety*, in openly pursued contrast to the spontaneous trade unionist tendency of—to be sure against all sectarian maximalism thoroughly legitimate but far from exclusive—concern with wage improvements only. This point was forcefully underlined in an important speech delivered by Marx in 1865 before a working-class audience of the recently established "International Working Men's Association" in these terms:

Trade Unions work well as centres of *resistance* against the encroachment of capital. They fail partially from an injudicious use of their power. They fail generally from limiting themselves to a *guerilla war* against the *effects* of the existing system, instead of simultaneously trying to change it, instead of



using their organized forces as a lever for the *final emancipation* of the working class, that is to say, the *ultimate abolition of the wages system*.<sup>7</sup>

In this sense the first and overall strategic objective of the organized *mass* movement had to be the institution of a radical *structural change* in the established mode of societal reproduction *as a whole*. This had to be achieved not simply through the more or less temporary and potentially divisive improvement in the material and cultural conditions of existence of the members of the working class in some *particular* countries or regions, which could only be a struggle against the *effects* of capital's encroachment on the workers' standard of living while leaving their necessary *causal foundations* untouched in their place.

The second fundamental strategic principle was equally important, concerning the necessity of a *fully international* orientation and solidarity of the envisaged organizational framework itself. For the lasting success of the emancipatory objectives to be pursued—defined as the “ultimate abolition of the wages system” over against the globally unfolding power of capital—really depended on labor's ability to match through its own consciously coordinated militant international action the might of its class adversary everywhere. Otherwise the partial successes obtained in some limited areas could be sooner or later reversed and even nullified by the power of international capital tending toward its global extension and integration.

The International Working Men's Association—a body that became known in working-class history as the First International—was founded in 1864 in the spirit of these closely interconnected fundamental strategic objectives. This organization successfully maintained itself in existence—in comparison to the relatively shortlived and far less influential Communist League—for an entire decade. However, the continuing historical ascendancy of capital on that “much larger terrain,” as underlined by Marx in his earlier quoted letter to Engels, militated also against this much broader international organization of the workers. In fact, as foreshadowed by the Marxian warning, the revolution of the 1871 Paris Commune was “*crushed in the European little corner of the world*,” repressed in blood by the brutal class forces of the ruling order which made it thereby absolutely clear that all attempts at a revolutionary transformation of society must expect the same savagery of response as the supporters of the Commune had to undergo in France.

This dimension of the *international relation of forces* between the worldwide imperialistically favored continuing ascendancy of capital and the greatly disadvantaged organization of labor was one of the principal reasons why the absolutely necessary international strategic orientation of the labor movement had to suffer a major historical defeat with the demise of the First International. This turn of events against the advancement of the international working-class movement was all the more problematical in view of the fact that in general historical terms the capital system towards the middle of the

nineteenth century had already entered the *descending phase* of its development as a *productive system*.

In its *ascending* phase the capital system was successfully asserting its productive accomplishments on the basis of its *internal expansionary dynamism*, as yet without the imperative of a *monopolistic/imperialist drive* of the capitalistically most advanced countries for militarily secured world domination. Yet, through the historically irreversible circumstance of entering the productively descending phase, the capital system had become inseparable from an ever-intensifying need for the *militaristic/monopolistic* extension and overstretch of its structural framework, tending in due course on the internal productive plane toward the establishment and the criminally wasteful operation of a “*permanent arms industry*,” together with the wars necessarily associated with it.

In fact well before the outbreak of the First World War Rosa Luxemburg clearly identified the nature of this fateful *monopolistic/imperialist* development on the destructively productive plane by writing in her book on *The Accumulation of Capital* about the role of massive militarist production that: “Capital itself ultimately controls this automatic and rhythmic movement of militarist production through the legislature and a press whose function is to mould so-called ‘public opinion.’ That is why this particular province of capitalist accumulation at first seems capable of infinite expansion.”<sup>8</sup>

In another respect, the increasingly wasteful utilization of energy and vital material strategic resources carried with it not only the ever-more *destructive articulation* of capital’s self-assertive structural determinations on the—by legislatively manipulated “public opinion” never even questioned, let alone properly regulated—*military* plane but also with regard to the increasingly *destructive encroachment of capital-expansion on nature*. Ironically but by no means surprisingly, this turn of regressive historical development of the capital system as such also carried with it some bitterly negative consequences for the international organization of labor.

Indeed, this new articulation of the capital system in the last third of the nineteenth century, with its *monopolistic imperialist* phase inseparable from its fully extended global ascendancy, opened up a new modality of (most antagonistic and ultimately untenable) expansionary dynamism to the overwhelming benefit of a mere handful of privileged imperialist countries, postponing thereby the “moment of truth” that goes with the system’s irrepressible *structural crisis* in our own time. This type of monopolistic imperialist development inevitably gave a major boost to the possibility of militaristic capital expansion and accumulation, no matter how great a price had to be paid in due course for the ever-intensifying destructiveness of the new expansionary dynamism. Indeed, the militarily underpinned monopolistic dynamism had to assume the form of even two devastating *global wars*—as well as in the second half of the twentieth century the threat of total annihilation of humankind implicit in a potential *Third World War*, together

with the ongoing perilous destruction of nature that became evident and even by the worst apologists undeniable.

But returning to the development of labor at the time of the First International, the second major historical factor that carried with it a great disadvantage to the originally envisaged constitution of capital's historical antagonist as an *international mass movement*—with its temptations and illusions set against the combative socialist solidarity essential among the movement's national constituents—was the emergence in a few of the most successful monopolist imperialist countries of the electorally more-influential working-class political parties.

The most painful and revealing documentary evidence in this respect is Marx's *Critique of the Gotha Program* which prophetically anticipated the deeply negative consequences arising from the opportunistic reorientation of the German social-democratic movement at the time of the unification of the left-wing "Eisenachers" and the worse than accommodationist "Lassalleian" social democrats. For the Lassalleans, as intimated by Marx's words of suspicion voiced at an earlier stage, were "probably in secret understanding with Bismarck," the imperialist "Iron Chancellor" of Germany.<sup>9</sup> This unholy "understanding" was in fact revealed half a century later by the gravely indicting evidence of Lassalle's correspondence with Bismarck, published only in 1928.

As it transpired through this correspondence, Lassalle sent to Bismarck the statutes of the General Association of the German Workers—an organization which he secretly manipulated—and added to them these treacherous comments:

The Statutes will clearly convince you how true it is that the working class feels an *instinctive inclination towards a dictatorship*—if it can first be rightly persuaded that the dictatorship will be exercised in its interest. And [they will show] how much, despite all republican views—or rather precisely because of them—the working class would therefore be inclined, as I told you only recently, to look upon the Crown, in opposition to the egoism of bourgeois society, as the *natural representative of the social dictatorship*. That is, if the Crown for its part could ever make up its mind to take the—certainly very improbable—step of striking out a really revolutionary line and transmitting itself from the monarchy of the privileged orders into a social and revolutionary people's monarchy.<sup>10</sup>

Without actually knowing anything tangible about this secret design by Lassalle for selling out social-democratic labor to the (imperialistically aspiring and acting, hence working-class support-seeking) class enemy's dictatorship—readily endorsed and even idealized by Lassalle—Marx nonetheless treated the maneuver of social-democratic unification with the greatest suspicion. His devastating *Critique of the Gotha Program*—which for internal party reasons had to be kept under lock and key by the unified party's

## REFLECTIONS ON THE NEW INTERNATIONAL

leadership for sixteen years, and was only published long after Marx's death as a result of Engels's outspoken insistence—indicated in the clearest possible way the fateful character of the illusory electoral blind alley embarked upon by the social-democratic movement in the late 1870s. Engels also pointed out at the time of the acrimonious dispute over the Gotha Program, in his 1875 correspondence with August Bebel, that the opportunistic unification of the two wings of the future social-democratic party carried with it the far-reaching implication according to which “the principle that the workers' movement is an *international movement* is, to all intents and purposes, *completely disavowed*.”<sup>11</sup>

The clamorous confirmation of this justifiably damning diagnosis by Marx and Engels was tragically supplied by German social democracy itself at the outbreak of the First World War when the party sided without any reservation with the disastrous imperialist adventure of the country. Moreover, despite all of the subsequently unfolding historical developments, including the collapse of the social-democratic Weimar Republic and the catastrophic revanchism of Hitler's movement—electorally supported by the majority of the German population—which dragged Germany into the even more destructive Second World War than what the world had had to endure in the First, social democracy could never extricate itself from its nationalist integument, thereby imposing its own shackles on the international working-class movement under its continued electoral influence.

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## IV.

In this way the early attempts aimed at the establishment of a combative international organization of labor ended in grave historical disappointment.

The internal troubles of the First International—despite the fact that it was still under the tirelessly dedicated intellectual and political leadership of Marx—became increasingly more pronounced in the last few years of the 1860s. As a result by 1872 Marx was forced to transfer its organizing center to New York, in the soon-to-be-disappointed hope of preserving its firm international orientation and bare existence.

However, the disorienting centrifugal force of the national movements and the increasingly more imperialist-inclined capitalist nation states to which the particular organizations were linked proved to be far too much to withstand in the end. This trend was of course grievously affected by the brutal military repression of the Paris Commune in 1871 to which Chancellor Otto von Bismarck directly contributed in the most vicious way. For in the midst of the Commune's struggle for survival he released, to fight against the Communards, French prisoners of war captured by his army, thereby providing a devastating material, political, and military proof of *bourgeois class solidarity*. Nor did he stop there. Indeed during the years of 1871–1872

Chancellor Bismarck was working on the establishment of an international framework of action against the revolutionary movement of the working class. In October 1873 his efforts were successfully implemented through the formation of the Three Emperors' League of Germany, Russia and Austria-Hungary, with the unifying conscious aim of taking *common action* in the event of a "European disturbance" caused by the working class in any particular country. This is how Bismarck "realized" Lassalle's treacherous plan about a "military dictatorship to be instituted and exercised in the interest of the working class," in conjunction with the monarchy as the projected "natural representative of the social dictatorship."

Not surprisingly, therefore, the First International disintegrated as a result of the intensifying pressures and contradictions that prevailed among its constituent parts, to a large extent thanks to the significant boost received by capital in the last third of the nineteenth century through the opening up of its monopolist/imperialist phase of development. Sadly, in that sense, the experience of the First International, despite the heroic dedication of its combative supporters, proved to be in historical terms premature under the conditions when in the greater part of the world the development of bourgeois society was still in the ascendant. This circumstance helped to overcome the major financial crises of the 1850s and '60s, redefining the relation of forces for a rather long historical period in favor of perversely expansionary capital, irrespective of how problematical—indeed in view of its subsequent global wars and destructive encroachment on nature much worse than problematical—such ascendancy had to turn out to be.

Naturally, the social-democratic Second International which later emerged from the unification of the Eisenachers and the Lassalleans could not even remotely approach the once envisaged ideal of a combative international organization of the working class. Moreover, it demonstrated the fateful inadequacy of that organization for the hoped for assertion of labor's hegemonic alternative to capital right at the outbreak of the First World War through its total capitulation to the imperialistic class interests of the ruling order.

In the light of this bitter experience of the Second International's capitulatory implosion the Third International was constituted under Lenin's guidance after the First World War, and for a while it promised the radical strategic reorientation of the international socialist movement. However, not very long after Lenin's death the hope attached to the Third International was also totally disappointed, in that this organization was transformed into a pliable instrument of Stalinist state policies and as a result had to be dissolved in due course. Nor could the Fourth International successfully remedy the situation. It proved to be unable to live up to the original Marxian design of constituting a combative *mass movement* of the international working class, despite the expectations of its founder and supporters. Fragmentation and division often seemed to prevail in radical political organizations, badly

✎ militating against the hope of growing influence. As regards the parties once associated with the Third International, the sad historical fact is that precisely some of the biggest of them in the Western capitalist countries—like the Italian and the French Communist Parties—transformed themselves within the accommodationist framework of the parliamentary system into neoliberal type political formations, and thereby into pillars of the established order.

## V.

Today the conditions are very different not only in a *negative* sense, indicating the intensification of the dangers for human survival both on the military and on the ecological plane, but in a far from negligible way also for the *better*.

✎ To be sure, the earlier underlined *destructiveness* experienced today—manifest both through the never ending wars of global hegemonic imperialism (idealized by its “visionary” apologists by saying that “*the boys are never coming home*,” because we need the “*new imperialism of human rights and cosmopolitan values*,” while their war criminal political leaders reward themselves with the *Nobel Peace Prize*) and through the wanton destruction of nature—represent a potentially much more acute danger than ever seen before in human history. And of course they call for a necessary combative response by a historically sustainable *mass* movement. At the same time, however, the capital system’s traditional *postponement* of the “moment of truth”—by exporting its problems and contradictions to the terrain of its formerly available ascendancy in that “much greater part of the world than the European little corner”—had also run its historic course. Not simply in the sense that *destructiveness* itself never solved—and never can or could solve—anything on its own. Above all, this is because every conceivable productive system, even the most powerful one ever known in human history, the once irresistible *capital system*, has its historically untranscendable *structural limits*.

✎ The “*little corner of the world*” of which Marx spoke in 1858 is no longer a little corner. Under the existing conditions the severe problems of the capital system’s increasing saturation and *destructive overreach* of itself continue to cast their darkest possible shadow everywhere. For capital’s historical ascendancy is by now fully consummated also on that “much larger terrain” whose disconcerting existence Marx had to acknowledge in his letter of 1858 to Engels.

✎ Moreover, under the new historical circumstances economic crises, too, unfold in a very different way. At the time of capital’s global ascendancy, crises erupted with cyclic regularity in the form of “*great thunderstorms*” (in Marx’s words), followed by relatively long cyclic *expansionary phases*. In great contrast the radically new pattern today, with the end of the age of capital’s historical ascendancy, is the growing frequency of *recessionary phases* tending

toward a *depressed continuum*. And given the globally intertwined character of the self-assertive capital system, only through organizationally sustained, combative action can the destructive forces of capital as an increasingly wasteful reproductive order be defeated, as against the *defensiveness* which was used to characterize the socialist movement in the past.

In this respect the constitution and successful operation of *The New International* is not only painfully obvious but also most urgent today. Indeed, the positive prospect in relation to this task is that for the first time ever in history the combative international movement of the working class—capital's only feasible hegemonic alternative—can be realized. For some major sociopolitical factors, which in the past significantly contributed to capital's positional strength and tended to force labor into a *defensive posture*, have been blocked in our time, hindering thereby capital's formerly practicable exit from its crisis today.

It is important to remember here that the earlier mentioned "*encroachment by capital*" stressed by Marx in his address to the General Council of the International Working Men's Association concerned the issue of the workers' standard of living, with its twofold competitiveness directly affecting labor. In the first sense, this competitiveness meant labor's confrontation with capital for the distribution of the social product, offering against labor the obvious advantage to capital as the controller of the means and conditions of production. At the same time, in the second sense, the individual workers as well as the various sections of labor had to be involved in a competitive struggle among themselves for securing their economic conditions of existence, resulting again in the disadvantage of the working class through its internal divisions and corresponding sectional orientation, tending to undermine thereby its strategic overall interests. This is why Marx contrasted with the traditionally pursued action against capital's encroachment over the distribution of the capitalistically attainable social product—a type of action necessarily confined by competitively divided labor to defensively questioning only the *effects* of the system but not its structurally determined *causal foundation*—the need for the adoption of a strategy by labor for "using its organized forces as a *lever* for the *final emancipation* of the working class, that is to say, the *ultimate abolition of the wages system*."

As we all know, none of the four internationals of the working-class movement could realize the Marxian strategy for overcoming, through a sustained offensive, the causal framework of the system under the prevailing historical circumstances. At best the radical wing of the movement could include some of the relevant *aims* into its *manifestos*, but could not *realize such aims* under the historically favored structural dominance of the capital system itself in the course of its historical ascendancy. Moreover, the *reformist* wing of the international working-class movement always kept even the demands directed against the *effects* of capital's encroachments on the workers' standard of living and bargaining power *well within* the system's manageable limits,

helping on the whole capital's exit from even its cyclic crises instead of making the slightest attempts for the realization of "*evolutionary socialism*," as explicitly but rather disingenuously promised by Edward Bernstein and his soulmates among social-democratic and traditional (not to mention "New") labor. Nor should anyone forget that in the end even the tamest possible tenets of "reform" for the realization of "*evolutionary socialism*" have been completely abandoned.

In this respect, the historic change in our time is the *blocking* of the road to the continued adoption of the *reformist fiction* promising the realization of a structurally different socialist order of society through some minute economic changes. In complete contrast, capital in the past could induce reformist labor to *internalize* and actively promote the totally unrealizable promise of "*evolutionary socialism*"—and its twin brother, the so-called "Italian and French parliamentary road to socialism"—and thereby it could mystify and successfully disarm its potential working-class adversary. In view of this mystifying correlation between fictional reformist promise and the brutally sobering reality of "*evolutionary socialism*" and the "parliamentary road to socialism," it is by no means surprising that the formerly most successful Western parties of the Third International—the Italian and the French Communist Parties—ended their road the way in which they actually did, entrapping themselves in a regressive position indistinguishable from neoliberalism. Inevitably, therefore, the painfully experienced regressive "reformist" development of the labor movement reopened the question of what course of action must be followed in the future in order to oppose in a strategically sustainable way the worsening conditions of life of workers even in the capitalistically most advanced countries, no matter how long it might take to rectify the defeatist past. For in our time even the realization of the most limited demands and objectives raised by the representatives of the working class require engagement in organizationally effective radical forms of combative action, directed at the capital regime's structural control of the core of the wages system itself.

The second blocked avenue for capital, now in its deepening structural crisis, is potentially even more serious. It concerns the removal of the traditional feasibility of solving the capital system's aggravating problems through an *all-out war*, in conformity to the way in which it was in fact *twice* attempted in the course of the *world wars* of the twentieth century. Nothing can unblock this fateful avenue, not even the most irrational adventurism advocated by capital's war-mongering "visionary" apologists. For the underlying issue is an insoluble contradiction within the reproductive framework of the capital system as such.

This is a contradiction manifest, on the one hand, through the ongoing, relentless *concentration and centralization of capital on a global scale*, and on the other, through the structurally imposed inability of the established system to produce the required *political stabilization on a corresponding global scale*.



Even the most aggressive military interventions of global hegemonic imperialism—at present those of the United States—in different parts of the planet are bound to fail in this respect. The destructiveness of limited wars, no matter how many, is very far from being enough for imposing everywhere on a lasting basis the unchallengeable rule of a *single imperialist hegemon* and its “*global government*”—the only thing that would befit the logic of capital today. Only the socialist hegemonic alternative can show a way out of this destructive contradiction. That is, an organizationally viable historic alternative that fully respects the dialectical complementarity of the national and the international in our own historical time.

Thus the question of capital's self-assertive encroachment itself has been radically changed under the present circumstances in its objective terms of reference. For now, due to the irreversible consummation of the capital system's historical ascendancy, with no more terrains remaining to invade and subdue on our limited planet, the capital system's self-expansionary imperative of encroachment directly threatens with destruction the *natural substratum of human existence itself*, as a vain attempt to compensate for the loss of conquerable new territories of domination. Accordingly, the historic stakes to be contested between capital and labor have now become—and so they are bound to remain also in the future—*everything or nothing*, removing there—by even the *limited rationality* of the once unavoidable *defensive posture* of labor. For saving from destruction the elementary conditions of humanity's existence cannot be envisaged as a *concession* to be granted by ever-more destructive capital in control of the social metabolic process. To expect that would amount to the greatest irrationality and the ultimate contradiction in terms.

## VI.

The *defensive posture* of the past has to be consigned to where it belongs: that is, irretrievably to the past, in order for it to be replaced by its historically sustainable alternative. For the effective negation of the global capital system is conceivable only through a strategically viable and conscious organizational intervention in its appropriate global setting. This is feasible only through the constitution and combative operation of a type of international organizational framework which is suitable to overcoming—through its historically viable practical operating principles and fully cooperative coherence—the chronic defensiveness and the damaging internal divisions of the labor movement in the past. Not the “Fifth” or the “Sixth International” which—by defining themselves in that way would inevitably reopen old wounds and unnecessary recriminatory controversies—but *The New International* engaged in the revolutionary negation of capital's destructive present order and in the constitution of a radically different mode of social metabolic interchange among its members. In other words, *The New International* through its name would indicate that not only defensiveness but also the unhappy divisive recriminations of the past have to be consigned to the past.

Accordingly, *The New International* would confront with *conscious positive determination* the now unavoidable historic challenges establishing the necessary organizational basis of *substantive equality* of its constitutive parts—be they strategically articulated political organizations or uncompromising social movements. This would mean constituting, on a much more secure ground than was feasible in the past, the mode of historically sustainable action through which the vital socialist transformation of our existing societies would be accomplished in the future.

Without the adoption of a viable socialist international perspective the labor movement as capital's hegemonic alternative cannot acquire its much needed strength. In this respect a *positively forward-looking* reconsideration of the history of the past internationals must be put into relief. Understandably, of course, the capitulatory Second International totally lost its relevance and need not concern us any longer. However, even today the proper assessment of the historically sustainable radical international efforts remains for us an important issue, precisely in relation to the future. We cannot overlook in this respect the heavy burden of internal fractures on the radical wing of the socialist movement as those fractures emerged in the course of the last century and continue to exercise their painfully divisive influence even today. No one should deny that in due course all such fractures must be overcome in the interest of socialist labor's overall hegemonic alternative to the existing order, even if it may take some time to do so. What is absolutely certain, however, is that the task of overcoming those fractures can only be accomplished in a *positively shared* international organizational framework.

In terms of the necessary strategic priorities to be achieved, the organizationally cohesive and viable articulation and strengthening of the positively oriented framework of socialist international action occupies a most prominent place today. Success is inconceivable without the most defiant combative confrontation of capital's growing aggressiveness by the organized working class, in place of the defensive weaknesses of the past. For under the conditions of the capital system's deepening structural crisis one can already witness the intensification of capital's authoritarian aggressiveness against labor which can only worsen in the future. Fragmentation and division always tended to impose on labor the defensive posture and its corollary, the domination of labor by the class adversary. That was far from accidental. After all the Roman ruling classes had invented and successfully practiced a long time before capitalism the wisdom of *divide et impera*: divide and rule.

With regard to the cohesive international framework of action the adoption of organizationally viable orienting principles is of a major importance. For in the past the assumption of the *programmatic necessity* of a *doctrinal unity* in the radical internationals proved to be in many ways detrimental to their envisaged advancement. It used to carry with it the drawbacks of constantly recurring divisiveness and fragmentation, instead of cohesive strength.

Retaining such requirement of *doctrinal unity* as the predefined orienting principle of the organizational framework would be equally detrimental for the development of *The New International*. For social and historical circumstances are necessarily different in a *globally varied* setting, calling for the adoption of significantly different organizational determinations according to the specific social and political conditions and corresponding strategic leverages.

Naturally, it is a self-evident requisite that all those who organizationally would belong to *The New International* define themselves in terms of their identification with the *broad general principle and the fundamental emancipatory objective of a socialist transformation of society*. However, embracing the broad general principle and strategic objective of the socialist transformation of capital's social order does not mean any *doctrinal prescription* as to the sustainable particular ways of instituting the *practical measures and modes of action* leading to the realization of the adopted overall objective. The new approach envisaged in this sense is in sharp contrast to the terms in which the formerly advocated requirements of doctrinal unity have been as a rule spelled out in the past, to the detriment of the expected success. By contrast, it would be much more viable in the future to let the *relative merits* of the different ways and means be decided in a *positive* sense by the *actual realization* (or not) of the adopted tasks by the constituent parts and particular organizational units, in their combatively pursued social and political practice, according to the inevitably varying social and historical circumstances. That mode of operation would be in its results *cooperatively additive and cohesive*, instead of fragmenting. That is the way ahead under the challenging conditions of our time. The establishment and combative operation of *The New International* would be the most appropriate organizational framework for meeting such a challenge.

## Notes

1. Robert Cooper, "The New Liberal Imperialism," *Observer Worldview Extra*, April 7, 2002, <http://theguardian.com>. Emphases added.
2. Ibid. Emphases added.
3. "Perpetual War for a Lasting Peace," Richard Peet's review of Thomas Barnett's book, *The Pentagon's New Map: War and Peace in the Twenty-First Century*, in *Monthly Review* 58, no. 8 (January 2005): 53–59. Emphases added.
4. Thomas P.M. Barnett, "Mr. President, Here's How to Make Sense of Our Iraq Strategy," *Esquire*, June 2004, 148–54, <http://thomaspm.barnett.com>.
5. Karl Marx and Friedrich Engels, *Manifesto of the Communist Party*, in *Selected Works*, vol. 1 (London: Lawrence and Wishart, 1958), 37–40. Emphases added.
6. Marx to Engels, October 8, 1858, in Marx and Engels, *Selected Correspondence* (Moscow: Progress Publisher, 1975), 103–4. Emphases added.
7. Marx, *Value, Price and Profit*, an address delivered at the General Council of the International Working Men's Association (the First International) in June 1885, quoted from Marx and Engels, *Selected Works*, vol. 1, 447. Emphases added.
8. Rosa Luxemburg, *The Accumulation of Capital* (London: Routledge, 1963), 466.
9. Marx to Engels, February 18, 1885, in Marx and Engels, *Selected Correspondence*, 163–65.
10. Ferdinand Lassalle, "Letter to Bismarck," June 8, 1863, <http://marxists.org>. Emphases added.
11. Engels, "Letter to August Bebel," March 18–28, 1875, in Marx and Engels, *Selected Correspondence*, 272–77.

Commentary from

## Monthly Review

February 2014, Vol. 65, No. 9

### ***An Independent Socialist Magazine Founded in 1949***

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A comparison of the present state of the natural sciences with that of the social (or human) sciences cannot but give rise to a disquieting sense of the relative poverty of the latter. Although natural scientists are raising the alarm with regard to the planetary environmental emergency and are demanding social solutions, social scientists have largely failed to take up the challenge. To be sure, there has been a vast upsurge in recent years of social-scientific discussions of climate change. But most of this work has remained confined within the narrow boundaries of mainstream social science, relying on such amorphous, dehistoricized concepts as human behavior, organizations, institutions, government, economic growth, industrialization, modernization, the market, energy efficiency, public opinion, and the like—variables that can be treated in purely technical, “non-normative” terms, divorced from historical context, social relations, and social agency.

Conspicuously missing from conventional social science is any serious consideration of the actual social system in which we live and which clearly constitutes the root of the problem: namely, capitalism. Also excluded are such fundamental issues as accumulation, class (including its gendered and racialized forms), the state, the cultural apparatus, imperialism, monopolistic corporations, economic stagnation, financialization, Marx’s concept of the metabolic rift—and indeed all the other major historical realities of our time. (For a detailed critique of the social sciences in this respect see John Bellamy Foster, Brett Clark, and Richard York, *The Ecological Rift* [Monthly Review Press, 2010], 19–38.)

In many ways this is an old story. A major ideological cleansing of social science was accomplished during the Cold War years (and has only been extended under today’s global neoliberalism). In 1960 the influential neoconservative sociologist Daniel Bell, then associated with the CIA-sponsored Congress for Cultural Freedom, justified the systematic closing off of social science to all critical views as *The End of Ideology* (the title of his

influential book). This mantra, which has prevailed ever since, was expressly designed to marginalize the left and the historical concepts with which it was associated—all of which were designated as “ideological”—and to put in its place a false objectivity. The result is that today we find ourselves faced with what South African writer Bert Olivier has called “the scandalous complicity, on the part of the social sciences, with the very economic system that is driving ecological ruin” (“Is There a Crisis of Credibility in the Human Sciences?,” *Thought Leader* [Mail & Guardian] September 23, 2013, <http://thoughtleader.co.za>).

It follows that a new revolutionary period in the development of social science is now called for if we are to address our ever-more pressing global problems. Such an intellectual revolution would need to resemble the intellectual revolt associated with the rise of the New Left in the 1960s, in which the work of C. Wright Mills and a revitalized critical-humanistic Marxism challenged the dominant social science head on. (A crucial throwing down of the gauntlet in this regard was Mills’s 1959 book, *The Sociological Imagination*, part of which was first published in *MR* in October 1958.) But the struggle today must be even more radical in nature, exhibiting a level of intellectual courage and commitment equal to our increasingly global and crisis-ridden age.

A moderately hopeful sign in this regard—while also indicating just how far we still have to go—is evident in UNESCO’s *World Social Science Report 2013: Changing Global Environments*, developed in collaboration with the International Social Science Council (available at <http://worldsocialscience.org>). Most of the 600-plus-page report (which encompasses 108 chapters) is anything but radical. Nevertheless, its origin in UNESCO means that it necessarily includes some perspectives from the global South, where social science in this area is generally more critical. Moreover, Heide Hackmann, executive director of the International Social Science Council, who directed the report, clearly sought, in her own contributions, to emphasize the need for fundamental societal change, however abstractly conceived. The scientific advisory committee included notable critical scholars, such as ecosocialist Enrique Leff (Mexico), author of *Green Production*, and sociologist John Urry (UK), author of *Climate Change and Society*—a work that discusses Marx’s metabolism concept.

From our standpoint the most interesting of the 108 chapters is chapter 22, “African Perspectives Needed on Global Environmental Change Research” by James Murombedzi of the Council for the Development of Social Science Research in Africa. He underscored the need to address “the historical causes of environmental degradation in processes such as colonialism,” imperialism, and “Africa’s participation in the global capitalist system.” “Class and other struggles for social change,” he explained, “increasingly focus on environmental

and natural resource issues” (for example the current global land grabs) resulting in “the emergence of movements that contest the expropriation of natural resources.” Murombedzi also provided a trenchant criticism of contemporary social science, arguing that “even as environmental concerns have been incorporated into social science disciplines, their treatment and place within those disciplines is marginal and sometimes even contested”—referring in this context to *MR* editor John Bellamy Foster’s critical analysis in “Marx’s Theory of Metabolic Rift” (*American Journal of Sociology*, September 1999).

Such critical-realist treatments of capitalism, imperialism, and class-related struggles were notably absent though from the other 107 chapters in the report, which stayed mostly within the bounds of official social science discourse. Nevertheless, Olive Shisana, from South Africa, president of the International Social Science Council, declared in her preface that “the current model of economic development is simply unsustainable.” She also noted that international surveys have shown that concern regarding climate change and other global environmental problems is negatively correlated with GDP and was thus much higher in the global South where climate catastrophes are most evident.

In the general introduction to the report (chapter 1) and her follow-up analysis written together with colleagues (chapter 2), Hackmann insisted that “accumulating sustainability crises” arising from prevailing “socio-ecological systems” required a “deep social transformation”—midwifed by the transformation of the social sciences. Remarkably, she traced the first major challenge to international social scientists to develop such an integrated, critical approach linking the natural and social sciences back more than forty years—to the Japanese Marxian economist, environmental theorist, and *MR* author, Shigeto Tsuru, who insisted that the focus be placed specifically on what he called “environmental disruption” on the grounds that “the significant aspect of the environmental problem is man-made, not natural but social, in origin” (Tsuru, ed., *Proceedings of the International Symposium on Environmental Disruption* [International Social Science Council, 1970], 325).

Urry, writing in chapter 53 on “Are Increasing Greenhouse Gas Emissions Inevitable?,” argued for “seismic shifts” in social systems and in our forms of social analysis that would “reverse” many of the dominant tendencies of today’s society. Nevertheless, he carefully refrained from any reference to capitalism and Marx’s concept of metabolic rift despite their prominence in his earlier book on climate change—preferring in this instance to refer to the environmental problem in more abstract, less contentious terms as a question of growth versus degrowth.

The *World Social Science Report 2013* thus makes it abundantly clear both through its explicit statements and its all-too-complicit silences that a revolutionary reawakening in social science is desperately needed today. Yet

such a reawakening would necessarily have to be built on classical critiques of capital accumulation and on the possibility for the creation of a society of substantive equality and sustainable human development—both of which lay at the heart of Marx’s concept of socialism.

Indeed, what is missing from the UNESCO report, with only minor exceptions, is a recognition of the growing political and intellectual movement associated with what has been called “ecosocialism”—itself a radical new development in social science. For those interested in learning more about this movement we recommend the Ecosocialist Coalition’s *System Change Not Climate Change* website (<http://systemchangenotclimatechange.org>); Ian Angus’s *Climate and Capitalism* at <http://climateandcapitalism.com> (hosted on the MR website); and the numerous works on Marxist ecology published by Monthly Review Press, <http://monthlyreview.org/press/content-areas/marxism-ecology>. It is in this analysis that one finds a unity of socio-ecological theory and practice of the kind that Tsuru called for some four decades ago: dedicated to revolutionizing our social metabolism with nature, and hence the entirety of our productive relations—the very conditions of human existence.

We recommend, as a heartening companion piece to C.U. Thresia’s “Social Inequities and Exclusions in Kerala’s ‘Egalitarian’ Development” in this issue, B.J. Biju’s “Angels are Turning Red: Nurses’ Strikes in Kerala,” in the *Economic & Political Weekly* 48, no. 52 (December 28, 2013): 25–28. A large majority of the nurses in all of India are from Kerala, and their struggle is of great significance.

We’re pleased to announce that two recent Monthly Review Press books—*An Introduction to the Three Volumes of Karl Marx’s Capital* by Michael Heinrich, and *Race in Cuba* by Esteban Morales Domínguez—have been named Outstanding Academic Titles by *CHOICE*, the magazine of academic libraries. According to *CHOICE* editor and publisher Mark Cummings, “These outstanding works have been selected for their excellence in scholarship and presentation, the significance of their contribution to the field, and their value as important—often the first—treatment of their subject.” We congratulate the authors, editors, and translators of these important works.



*Continued from inside back cover*

attention of not only other workers; employed or unemployed, but also peasants and students. People all along the way came out in support, even arranging for food and accommodation for all the padyatris (marchers), even as CID (Criminal Investigation Department) and police personnel constantly followed the marchers, at times threatening some sarpanchs (heads of the village councils) who offered support. Worker solidarity came not only from manufacturing-sector workers and their unions but also from those of the Haryana Roadways and the electricity board and school teachers and anganwadi & ASHA workers (women workers of the Integrated Child Development Services [ICDS] programme and the "accredited social health activists" [ASHA] of the National Rural Health Mission [NRHM]).

It is a shame, a disgrace, that the government, instead of being a model employer, refuses to treat a large section of those who are at the forefront of delivering certain social services – a large proportion of whom are women – as regular workers. Indeed, there are hundreds of thousands of anganwadi workers and their assistants providing pre-school education and nutrition to children below the age of six, who are paid honorariums of Rs 3,000 and Rs 1,500 per month (around \$50 and \$25 per month, at Rs 60 per \$). Those workers who cook and serve the mid-day meal in the schools are paid honorariums of Rs 1,000 per month (\$16 to \$17 per month). 'Para' teachers in the Sarva Shiksha Abhiyan (the "education for all" programme), graduates with a B.Ed. degree, are paid between Rs 3,000 to Rs 5,000 per month (\$50 to \$83 per month), which is roughly one-tenth of a regular teacher's salary. And, even the ASHA in the NRHM, who have helped bring down the country's pathetic maternal mortality rate, are paid a pittance.<sup>2</sup> Taken together, more than a million government service-delivery jobs have been created over the last two decades, but all these workers have been denied employee rights by the government, and hence it's so comforting that the Maruti Suzuki workers have reached out to this disregarded section of the working class.

There are two features of struggle of the Manesar workers of Maruti Suzuki that need to be emphasised. One, despite the insistence of the multinational corporations in the auto sector that their investment plans will materialise only on condition that independent unions are eradicated, and the Haryana government's full support on this score, the MSWU has persisted against all odds in keeping alive the workers' struggle to win their rights, the very ones that are inscribed in the labour laws and the Constitution of the country. Two, there has been an unprecedented unity



of the regular workers with the temporary and contract workers; indeed, all along, among the principal demands of the MSWU has been the regularisation of the temporary and contract workers.

### **Wretched of the Indian Earth**

This solidarity march of the Maruti Suzuki workers through the villages, towns and cities of their province has, in many ways, been such a wonderful happening in bring together working people from so many different sectors of economic activity. Nevertheless, in rural India, some forms of exploitation and oppression are not even spoken of when one meets members of the panchayats (village council) and the sarpanchs. The mainly Jat big landowners, both the "traditional" and the "modern", who control these village councils, besides being able to summon the state's repressive apparatus at the district and bloc levels, unduly benefit from access to not an insignificant part of the state's expenditure allocated in the name of "development", from cheap public-institutional credit to various state contracts. They have also gained political legitimacy through the panchayati raj (village council governance) institutions.

The reality of dalit and most-backward caste wage labourers in districts such as Jind, Rohtak and Jhajjar (which the padyatris passed through), as well as the actuality of migrant wage labourers from eastern Uttar Pradesh and Bihar, needs to be comprehended. In the context of endemic underemployment together with seasonal unemployment, forms of labour attachment are still prevalent, besides, of course, the intertwining of such relations with caste oppression, dependence stemming from essential consumption-related debt, etc, which together lay the ground for (a sort of) involuntary servitude of the labourers. A small section of the Maruti Suzuki workers of the Manesar factory do come from such dalit and most-backward caste social backgrounds, and a significant section are from poor and middle-peasant social upbringings. With some of their comrades having lived in such social circumstances, the padyatris could connect with the oppressed and the exploited in the villages.

### **Unregulated, Predatory Labour Relations**

More pressing though for the Maruti Suzuki workers of Manesar is unity with the workers of the company's Gurgaon factory, and beyond this, an alliance with workers in the hundreds of auto-component supplier factories – the first- and second-tier subcontracting auto-component suppliers – and also those in the small-supplier workshops that form the third tier in the auto-components supply chain. All of these workers have been/are organising and fighting against "unregulated, predatory labour relations" and, indeed, the "industrial terrorism unleashed under neo-

liberalism", as Annavajhula J C B and Surendra Pratap put it in their two-part essay "Worker Voices in an Auto Production Chain: Notes from the Pits of the Low Road" (Economic & Political Weekly, 18 and 25 August 2012).

Maruti Suzuki's "lean manufacturing" – the production of the number of sellable cars demanded at the lowest operational cost – involves measures to extract the maximum effort from the workers. In July 2012, contract and temporary workers comprised more than 75% of the total number of workers at the Manesar factory, this in order to render the workers vulnerable and therefore pliable to the management's dictates. Chapter 2 ("Dehumanisation of Workforce") of a recent People's Union for Democratic Rights' report entitled "Driving Force: Labour Struggles and Violation of Rights in Maruti Suzuki India Limited" provides a vivid account of the work schedule, the intensity of work, the conditions of employment, including wages and promotion, the plight of contract workers, mechanisation, supervision and management at the Manesar factory. To resist such a highly exploitative labour regime what was required was an independent – not a stooge – labour union, but the management actively prevented the workers from organising themselves, resorting to suspensions, terminations and registration of false cases, and worse, once such a union got registered.

The workers of Honda Motorcycles and Scooters India Ltd too faced a similar management onslaught in 2005 when they formed an independent union. One recalls the brutal manner in which the Haryana Police subjugated their protests on 25 July of that year, and in the aftermath of such repression, the so-called 'captains of Indian industry' blamed the workers and warned of a "negative effect on 'investor confidence' and the flow of foreign direct investment". But worst of all are the conditions of workers in the third tier of the auto production chain where, as Annavajhula and Pratap write:

Everybody is a temp . . . there is no appointment letter, and there is no pay slip either . . . work is for two shifts of 12 hours each and workers are paid only for eight hours a pittance . . . wages are cut against rejects apart from workers being humiliated and beaten up . . . overtime is mostly unpaid, if paid, it is single . . . there is no holiday . . . this is the bottom of the production chain.

And, taking stock of the entire auto production chain they write:

... Tier 2 is a lot like Tier 3; Tier 1 is a lot like Tier 2; and the main units are a lot like Tier 1 ... the labouring conditions in the entire chain are drifting towards homogenous, unregulated and predatory labour relations.

One should nevertheless keep in mind that Tier 3 workers are not even unionised, besides, of course, the fact that they face a greater threat of being replaced by workers in the 'reserve army of labour'. But Tier 1 and main-unit workers face the threat of replacement, too, as well as the possibility that capital will move to provinces (e.g. Gujarat) where a more exploitative labour regime can be instituted. Main units like Maruti Suzuki India and Honda Motorcycles and Scooters India, and Tier 1 subcontractors like Gabriel India and Delphi, can be considered among the most efficient capitals in their industries in India and even across borders, and therefore it is imperative that their workers are protected by powerful, independent unions. Noteworthy in this context are the expressions of solidarity from the Thai Suzuki Workers' Union to the MSWU. In cases like this particularly, workers need to show solidarity across borders. Above all, however, it is heartening that the padyatra organised by the MSWU did bring a number of unions of the Tier 1 subcontracting units in touch with those of the main units in an expression of solidarity and support, and this now needs to be extended to the workers of the Tier 2 and Tier 3 subcontracting units too.

### **Gurgaon's 'Cybertariat'**

Besides the auto and auto-components cluster, the Gurgaon-Manesar-Dharuhera industrial belt also has an apparel/garment manufacturing hub and a call centre cluster. The January 2007 newsletter of Gurgaon Workers News tells its readers of the call centres located just across a motorcycle factory, where call centre employees – the "new proletarianised middle class" – work next to auto, auto-parts or apparel manufacturing workers.

In April 2006 some 4,000 Hero Honda workers occupied the factory where they worked for five days. They were protesting against the discrimination of contract and temporary workers, paid one-sixth to one-tenth of the wages that the regular workers got for doing the same job. Obviously, the Hero Honda management and their contractors were hand in league. Right opposite the factory, the Gurgaon Workers News reported, there was a call centre that had hired around 1,000 young 'proletarianised' middle class employees working ten-hour night shifts, earning Rs 12,000 to Rs 14,000 a month, a fraction of what their counterparts in the US and Western Europe got; their office work was subject to Taylorised principles, i.e., being subjected to a continuous

"assembly line" of calls; they were closely monitored by sophisticated "management information systems"; and just like their counterparts in Hero Honda, they were being subjected to ruthless exploitation.

These young 'proletarianised' middle-class employees were naturally curious about those Hero Honda temps occupying the factory and challenging the police, but they just watched like they would any other spectacle – the occupation, the mass gatherings of the workers on the factory premises, the arrival of the police in large numbers. . . . This leaves one guessing. One wonders whether it occurred to them that they could/should come together, organise, stop work and occupy the place where they worked, like the Hero Honda workers, protesting against the injustices they were being made to suffer. After all, objectively they are part of the new "cybertariat" (see Ursula Huws, *The Making of a Cybertariat: Virtual Work in a Real World*, New York: Monthly Review Press, 2003/Kharagpur: Cornerstone Publications, 2004), but it's doubtful if even a fraction of these workers ever perceive themselves in such terms. Perhaps the cultural and educational chasm that separates industrial workers from their call-centre counterparts can be bridged by the students of the Jawaharlal Nehru University (JNU) who extended a rousing welcome to the padyatris, and in this duty, we place our hope in such student/youth organisations as the Krantikari Naujawan Sabha, All India Students' Association and the Democratic Students' Union.

### **'Satanic Mills' of the 21st Century**

But before the padyatris marched through JNU, they came to the garment/apparel manufacturing cluster in Kapashera on the Delhi-Gurgaon border. Organised as buyer-driven global commodity chains, the 'oligopsonistic' (few large buyers with significant market power) firms like Gap and Marks & Spencer – among the big names on high street – have been at the centre of sweatshop scandals involving violations of Indian labour laws and their own "ethical trading initiative" at their subcontractors factories in the Kapashera garment cluster, which is home to many a garment manufacturing sweatshop. The term "sweatshop" conjures up images of the conditions under which industrial labourers toiled against their will (they had little choice) in 19th century England. William Blake's "satanic mills" were horrifying – the workday was long, the pay was abysmally low, and the conditions of work were unhealthy and unsafe, but tragically, the existential condition of the Indian garment manufacturing workers in Kapashera and Gurgaon in 21st century India are not very different.

### **State Turns a Blind Eye to Violations of Labour Law**

The central trade union federations of the left parties have come out in

solidarity with the MSWU on this jan jagaran yatra, promising to support the Maruti Suzuki workers of Manesar until their demands are met. But considering the fact that the proportion of regular workers in the total workforces of units in the factory sector has been on a downward trend over the last decade or more, shouldn't these trade union federations give a call for some concrete, joint forms of struggle at the level of the auto industry and its ancillaries by all their member unions to demand the fulfilment of the three main ultimatums of the MSWU outlined above?

It is high time an impartial judicial probe into the violent incident of 18 July 2012 at the Manesar factory of Maruti Suzuki India is instituted. The discrepancies in the management's version, the fact that the management employed bouncers on that day, the reality that a number of workers were injured, the piece of information that the workers considered Awanish Dev to be sympathetic to them, as well as the detail that in the aftermath of Dev's death his wife "told the NDTV that she didn't believe that the workers were involved in the death of her husband" (Interview with Mahabir Dhiman of the MSWU, published on World Socialist Web Site, 21 January 2014, who also said that Dev's wife's interview "has disappeared from the NDTV archives"), all these elements need to be taken into account and investigated further in any unbiased inquiry.

The Maruti Suzuki workers need mass solidarity and support in these times when capital and the state seem to have an unwritten pact that the latter will turn a blind eye to violations of labour law concerning the terms of employment, wages, conditions of work, including occupational health & safety and the labour process, as well as retrenchment and retirement. After all, haven't the Maruti Suzuki workers of Manesar been in the forefront of the fight against one of the world's most exploitative labour regimes, this in Suzuki Motors' most profitable subsidiary worldwide?

### Notes

1. Workers supplied by a labour contractor to a firm who work at the site of the firm. The contractor is paid by the firm an amount that includes the wages and other labour-related costs plus a profit margin for the labour supply services. Here the firm is deemed to be the "principal employer" as per the Contract Labour (Regulation and Abolition) Act, 1970, but these workers are usually subject to a much higher rate of exploitation than the temporary and regular workers employed directly by the firm.

2. Sitaram Yechiury, Politburo member of the CPI (M) and Rajya Sabha member, in his column 'Left Hand Drive' in the Hindustan Times, 19 November 2013.

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Bernard D'Mello is deputy editor, Economic & Political Weekly, Mumbai. An earlier version of this piece first appeared as an editorial in the EPW in its issue of December 28, 2013.



*continued from inside front cover*

August of that year. Some 2,346 workers -- contract,<sup>1</sup> temporary and regular -- have been thrown out of their jobs without a proper inquiry. The MSWU has been forcibly removed from the Manesar factory. The province's labour department has overlooked the company's imposition of its "good conduct undertaking", which is an unfair labour practice, and the deployment of contract labour for regular work. The Congress Party-led Haryana government has been extending full support to the management of Maruti Suzuki India in its drive to crush the MSWU. The laid-off workers and their families have faced severe police harassment. The Punjab and Haryana High Court has refused the jailed workers bail saying that "foreign investors are not likely to invest... in India out of fear of labour unrest". And yet, the Maruti Suzuki workers, alongside their comrades whose services have been illegally terminated, have fought on, with a provisional working committee (PWC) now leading the union.

In the latter half of January this year, PWC members Ramnivas, Mahabir, Rajpal, Katar, Yogesh and their associates brought together the terminated workers and their families alongside those of the jailed workers to participate in a jan jagaran yatra (public vigil journey) against the injustices of the Maruti Suzuki management, the Haryana government, the state's labour department, the police and the courts. This march against injustice covered some 300 km in Haryana, from Kaithal to Jind and onward to Rohtak, then to Jhajjar and Gurgaon, and onward to Delhi, forging solidarity all along the route. It raised my spirits when I was told that a number of women participated in the march, this because a number of them were beaten up for participating in the dharnas (peaceful demonstration at the offender's door until the victims' demands are granted) earlier. It's not hard to unravel what keeps these women going!

The PWC has been reiterating three demands, one, release of the 148 jailed workers, two, reinstatement of all the terminated workers, and three, an impartial judicial inquiry into the violent incident of 18 July 2012 in which the Manesar factory's 'human resource manager' Awanish Dev, who had helped the workers in the official registration of the union, died of asphyxiation.

### **Reaching Out**

The jan jagaran yatris (public vigil fellow-travellers) organised nukkad sabhas (street-corner meetings) all along the route from Kaithal to Delhi, spreading the message of their struggle against exploitation, drawing the

*continued on page 59*



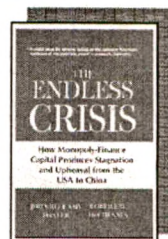


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ISBN: 978-81-88401-31-4 , X + 227 pp, ₹150.00

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West Bengal, India  
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Printed, published and owned by Subhas Aikat and printed at New Rainbow Laminations,  
31 A, Patuatola Lane, Kolkata-700009 and published at Cornerstone Publications,  
Ramesh Dutta Sarani, P.O. Hijli Co-operative, KHARAGPUR-721306, Paschim  
Medinipur, West Bengal.

Editor: Subhas Aikat

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# Analytical MONTHLY REVIEW

*Carl*  
*16/9/14*

Vol. 11, No. 12

March 2014

₹30.00

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Modern Society

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The Baran–Sweezy  
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REVIEWS

Victoria Law on Combining Activism & Analysis  
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# ANALYTICAL MONTHLY REVIEW

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## Editorial

The impending general election in India promises to set a new low in irrelevance to the issues facing the vast majority of people. The smoke screen normally created by the parliamentary parties grows into a monstrous mind-numbing fog of public-relations "personality" drivel and nonsense. This sickening spectacle is driven by a flood of black money so large that it has been estimated that the current election spending shall exceed in total the stimulus spending attempted at the time of height of the global financial crisis in early 2009. Yet there are some stories that deserve to avoid the burial that awaits them under the weight of this nauseating "democratic"—though in reality the exact opposite of democratic—election-time media assault.

The history of the Manmohan-Chidambaram regime is one in which outright governmental assistance to the richest and most powerful reached levels of scam and fraud so huge that it could not be hidden by any amount of mass media double-talk. A major segment of newly rich are those much acclaimed by the business press as "entrepreneurs" and "innovators", financial promoters and speculators who have made their fortunes in the swindling associated with the creation of public offerings. Now, not to our

*continued on inside back cover*



## Proposing a Path to Socialism Two Papers for Hugo Chávez

Michael A. Lebowitz

*It is now one year since the unfortunate death of Hugo Chávez on March 5, 2013. Shortly after, the editors of Monthly Review quoted a letter from István Mészáros to John Bellamy Foster which described Chávez as “one of the greatest historical figures of our time” and “a deeply insightful revolutionary intellect” (“Notes from the Editors” in the May 2013 Monthly Review). Whether Chávez will be remembered over time this way, however, depends significantly on whether we build upon the foundations he began. As important as his vision and his deep understanding of the necessary path (so clearly demonstrated by his focus upon communal councils as the basis of a new socialist state—“the most vital revolutionary achievement in these years,” as the editors indicated) was Chávez’s ability to communicate both vision and theory in a clear and simple way to the masses. As demonstrated by Chávez’s articulation of the concept of “the elementary triangle of socialism,” that is what revolutionaries must learn to do.*

*Following Marta Harnecker’s long interview with Chávez (later published as Understanding the Venezuelan Revolution by Monthly Review Press), he asked her to come to Venezuela in 2003 to serve as his advisor and explained that he wanted someone around him who would not hesitate to criticize him. And that’s how we ended up in Venezuela. At the beginning of 2004, I became an adviser to the Minister of the Social Economy and, during that year, Marta and I became convinced that it would be important to create a center which could bring together foreign advisors who supported the Bolivarian Revolution. Accordingly, she proposed to Chávez that an institute be established for this purpose; he agreed, and, after we assembled people and found a home for the Institute (ultimately in the Ministry of Higher Education), the Centro Internacional Miranda (CIM) was formed in early 2006.*

*Since it was clear that Chávez would be re-elected in December and would*

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MICHAEL A. LEBOWITZ worked between 2004 and 2010 as an adviser in Venezuela. His *Contradictions of ‘Real Socialism’: The Conductor and the Conducted* (2012) and *The Socialist Alternative: Real Human Development* (2010) are both available from Monthly Review Press.

*be thinking seriously about directions for the new mandate, those of us involved in CIM decided to prepare a series of papers proposing initiatives which we felt could advance the process of building socialism in Venezuela. Although several of us engaged in these discussions, ultimately only three of the CIM directors (Marta Harnecker, Haiman El Troudi, and I) completed papers for transmission to Chávez in early December. In what follows, I include an excerpt from one paper I prepared plus a second paper subsequently developed in response to Chávez's reaction to the first.<sup>1</sup>*

## **Building New Productive Relations Now**

Everyone understands that it is impossible to achieve the vision of socialism for the twenty-first century in one giant leap forward. It is not simply a matter of changing property ownership. This is the easiest part of building the new world. Far more difficult is changing productive relations, social relations in general, and attitudes and ideas.

To transform existing relations into the new productive relations, we need first of all to understand the nature of the existing relations. Only then can you identify the mechanisms by which the new relations can be introduced. At this time, there is a great variety of experiments and approaches to changing productive relations which are being pursued. There is no attempt to set out specific proposals here but only to provide the framework in which such changes should be explored in order to move toward socialist productive relations.

The first step is to understand the *direction* of change. The precise *pace* of transformation will depend upon the existing conditions, the conjuncture, and the correlation of forces (national and international).

### **A. Existing Productive Relations**

It is essential not to confuse property relations with productive relations. For example, a state-owned firm could be (a) worker-managed and functioning in a market with the goal of maximizing income per worker (as in the self-managed enterprises in the former Yugoslavia), (b) a profit-maximizing state capitalist firm, or (c) what we call for our purpose here a "statist" firm—a productive unit directed by the state to achieve specific targets in terms, e.g., of output or revenue. Similarly, a cooperative may be focused upon maximizing the income of its members or solving local needs. And, in all these cases, there is always the possibility of managers and managerial elites directing the enterprises in their own personal interests because of the difficulties in, for example, the state or stockholders monitoring and sanctioning their activity (as occurred in the old PDVSA).<sup>2</sup>

### **1. Capitalist Productive Relations**

We understand capitalist productive relations as those in which workers enter into a relationship with capitalists in which they surrender their ability to work (and their claim upon what they produce) to capitalists. What workers get from this transaction is a wage that provides for their maintenance; what capitalists get is the right to direct their employees in such a way as to profit from their ability to work, the right to own everything that workers produce, and the right to determine what is produced and how it is produced. These relations may take different forms—e.g., workers may have more or less control over the production process and they may receive a portion of their wage in the form of profit-sharing (which means that they share in the risks of the capitalist); however, characteristic of capitalist productive relations is (a) that everything is subordinated to the generation of profits and the accumulation of capital, and (b) the capitalist is working constantly to increase those profits however possible.

Thus, the system drives toward the greatest possible exploitation of workers and the greatest possible use of resources for which the capitalist does not have to pay (e.g., clean air and water); workers and society may succeed in winning some battles from time to time, but the logic of capital is always to attempt to undermine and reverse those victories sooner or later. And that is because the logic of capital is opposed to the logic of human development and human needs.

### **2. Cooperative Productive Relations**

Cooperative relations exist where workers are associated in particular enterprises in their mutual interest as producers. Both in the case where workers are the owners of the means of production or where the means of production are owned by the state and entrusted to the collective of workers, the inherent logic of the cooperative as a separate unit is the same: maximize the income per member of the cooperative. Accordingly, characteristic of a cooperative is that it looks upon members of other cooperatives (and members of society as a whole) as either competitors or as potential sources of income as customers. The logic of the cooperative is the self-interest of the group; in this respect, taxation of the cooperative by the state, by reducing the net income of its members, appears as a burden contrary to the interests of the group.

Thus, the logic of the cooperative as such is not a focus upon human development and solidarity within society as a whole. The cooperative retains the self-orientation of the capitalist firm and may function atomistically in the market in the same way as capitalist firms. Nevertheless the differences between cooperatives and capitalist firms are immense. In the cooperative,

workers do not surrender their ability to work or their right to determine how they will produce or their claim over what they produce. Rather, they combine or pool their capacities in their common interest and, instead of keeping their tacit knowledge to themselves and finding ways to minimize their work, the logic of the cooperative leads them to share their knowledge and their ability because they are the beneficiaries.

Precisely because of this collective interest and this conscious combination of activity, cooperatives build solidarity within the specific group and teach a lesson about the benefits of cooperation. At the same time, however, this orientation toward the interests of the specific group (and toward "group property") is consistent with the exploitation of other workers (non-cooperative members) as wage-laborers and with actions in the interest of the group which are contrary to the interests of society. Nevertheless, the two-sided nature of relations within cooperatives suggests the potential of building new productive relations upon them.

### 3. Statist Productive Relations

Characteristic of statist relations is that enterprises are given specific directives by the state and are expected to fulfill these. Insofar as the goal of the state is to meet a specific output or revenue target or to maximize revenue for the state budget, the resources of the statist unit will be directed toward meeting this goal.<sup>3</sup> Further, the counterpart of the directive or command given to the statist enterprise will be the directive or command transmitted *within* that enterprise; hierarchy is characteristic of the statist enterprise: orders are transmitted downward. Thus, democracy and worker decision-making are not characteristic; rather than the disruptions in state goal achievement that may result from the differing goals of workers, the preferred role of an organization of workers from the statist perspective is to mobilize human resources to meet the selected goal—i.e., to serve as a transmission belt for state directives. In this respect, from the perspective of workers the statist firm may be no different than the capitalist firm.

Similarly, insofar as meeting the chosen output or revenue targets is paramount, efficient use of resources (including the environment) may tend to be sacrificed in the interests of reaching those targets. Despite state goals which are formulated in the interests of society as a whole, the fact that specific directives are given to individual productive enterprises means that their efforts to achieve them may stimulate behavior which is in the interests of the particular enterprise rather than in that of the whole. Such a pattern is particularly likely where the income or career path of enterprise managers depends upon their success in meeting these assigned targets. In fact, the private interests of those managers may yield many anti-social effects with the result that the statist firms do not act in the interest of society as a whole.



Where statist enterprise managers are not committed to the goals of the state and where their behavior is not easily monitored, the performance of those enterprises will appear incoherent because they reflect the presence of a different set of relations. The existence of managers with their own goals and the difficulty of monitoring them from above was characteristic of the enterprise in the former USSR.<sup>4</sup>

The logic of the statist enterprise, accordingly, is two-sided. While it potentially can be directed in the interests of society as a whole and is essentially oriented toward production of use-values rather than profits, in the absence of specific directives which stress the interests of workers and society as a whole, and the transparency which is a precondition for monitoring and empowering of workers and communities, the statist enterprise can be captured by particular interests.

## **B. Transforming Existing Productive Relations**

The steps that must be taken to make a transition from existing relations to the new productive relations and the pace at which the changes can be made depends upon the starting point.

### **1. Transforming Statist Enterprises**

Without question, the easiest transition can be made in the statist firm—it is already at the threshold of new productive relations. Unlike the explicit private interests in capitalist and cooperative productive relations, the statist firm already is in form the property of society as a whole and has as its explicit directive to act in the interests of society as a whole.

The path to transform the logic of statist enterprises, then, is to change the directives which they are given by the state. If the new productive relations which are to be built emphasize as a goal the full development of human potential and the creation of new socialist human beings, the nature of these institutions and the instructions given by the state must include the conditions necessary for the realization of this goal. With the development of workers councils and the growing orientation of their activity toward meeting the needs of communities (as expressed by those communities themselves) and with the transparency which allows waste, corruption, and bureaucratic self-interest to be challenged, statist enterprises increasingly can be characterized by socialist productive relations. This is not an easy process, of course, because the habits, traditions and common sense of both capitalist and statist firms is that decisions should be made at the top and transmitted downward; for this reason, success in this process depends upon the selection of managers who share the vision.

To the extent that the statist enterprise moves in the direction of new socialist relations emphasizing the full development of human capacity, it no

longer can be evaluated by the measures of traditional capitalist accounting. State directives such as, for example, transformation of the workday to include education in the workplace, transitional phases in the development of worker participation, and improvement of environmental conditions are directives to invest in human development. Thus, rather than view the specific enterprises which follow such social policies as “uneconomic” or money-losing, those policies are social investments whose cost must be born by society as a whole.

## 2. Transforming Cooperatives

The transformation of cooperatives concerns not only those where the means of production are owned by a group of workers but also the case of state-owned enterprises which are self-managed and enterprises which are a combination of state and group ownership. Despite the difference in property ownership, common to all is that the prevailing logic is to maximize income per worker within the group.

Besides this group self-interest, however, this institution contains the essential ideas of cooperation and democracy—which are at the core of the new relations which must be built. The transition here, then, must take the form of encouraging the cooperative to move beyond its narrow self-orientation and to develop organic links to society.

A first step would be to develop links between groups of workers, i.e., members of differing cooperatives. With the establishment of a Council of Cooperatives in each community, it would be possible to explore the way in which these groups of workers could cooperate in activities rather than compete and, in general, to investigate ways in which cooperatives can integrate their activities directly without being separated by market transactions. Further, links could be established between the Councils of Cooperatives in each community and communal councils. With the support of the communal banks, the needs of local communities could be communicated to the organized cooperatives as a way of moving toward production for communal needs and purposes.

The process of transforming the productive relations of cooperatives, thus, is one of guiding them step-by-step beyond their own narrow interests into a focus upon the needs of communities. In other words, cooperatives are at *another* threshold of socialism for the twenty-first century. Both the statist enterprise and the cooperative have in common that they are not capitalist enterprises; rather, they are part of the social economy, which can “walk on two legs” on a path toward socialist productive relations.

However, there is nothing automatic about this process. The logic of capital can dominate both, and can turn both statist firms and cooperatives into complements and supports for capitalism. Being on the threshold of socialist productive relations does not mean you will ever cross that threshold.

### 3. Transforming Capitalist Enterprises

Capitalism is not at that threshold, and it will never be. The essence of capitalism is the exploitation of workers and the orientation toward profit at the expense of every human being and every human need. We can never use the logic of capital to build new social relations. Rather, it is necessary to go beyond capital and to subordinate its logic to the logic of the new society.

Part of the process of subordinating capitalism to a new social logic is by introducing the transparency necessary to monitor the activity of capitalist enterprises. With a new law on transparency, making the financial records (including records of transactions with other entities) of all business enterprises of a minimum size (e.g., over twenty-five workers) available to inspection by workers and tax officials, the information available for a democratic, participatory, and protagonistic society would be increased. Those enterprises unwilling to provide this information would be understood to be acting against the public interest and, thus, would be operated in a transparent way instead by the state or groups of workers.

A rupture of property rights in this way—i.e., nationalization by the state or a take-over by collectives of workers—is one of three ways to subordinate existing capitalist enterprises within a country. Certainly, this does remove these capitalist enterprises and the capitalist interests behind them as threats to a new socialist society. As noted earlier, however, changing property rights is not the same as developing new productive relations. At best, this only takes us to the threshold (in the form of statist firms and cooperatives) of those new relations. In fact, a private capitalist firm may simply be replaced by a state capitalist firm which exploits workers and destroys the environment—all in the interests of maximization of profits. Thus, while *existing* capitalist enterprises may be subordinated in this way, we have seen that more is needed to introduce new productive relations.

A second way to subordinate existing capitalist firms is by extracting and transferring the surpluses generated in those firms. Through taxes or prices (e.g., forms of “unequal exchange”), surpluses generated within these firms may be siphoned off to other sectors (e.g., new firms being created) or to the support of social programs—rather than realized as profits. A similar assault on the profitability of these enterprises could be through competition with state-owned firms or subsidized cooperatives. Certainly, such inroads upon the profits of capitalist firms will reduce their viability, and their subsequent absorption by the state or workers would likely follow in the public interest in order to maintain jobs and production.

Whereas the above cases involve an external assault on existing capitalist firms, a third approach to their subordination involves the invasion of an alien logic, the logic of new productive relations *within* those enterprises. The



premise here is not that capitalism can be reformed or that it can change but, rather, that its orientation toward profit-maximization will be constrained by the existence of new requirements. For example, the existence of strict environmental standards compels the capitalist enterprise which wants to remain in operation to accept these as a cost of doing business and to continue, within this new constraint, to attempt to maximize profits. In the same way, government directives which require enterprises to transform the workday to include educational training, introduce specific forms of worker decision-making (such as workers councils), and devote a specific portion of resources to meet local community demands will impose costs upon these firms which would be still consistent with the logic of capital—the drive to maximize profits.

But, why would capitalist enterprises accept such imposed costs when they can go to other locations in the world where those particular costs are not present? They would do so if this were a condition to having access to scarce local resources, to credit from state banks, and to the market that state enterprises and the state offer. In other words, the state can use its leverage (where it wishes) to change the ground rules under which capitalist enterprises which are not footloose can do business with it.

Does this change them from being capitalist firms? Does it mean that they no longer exploit workers? Obviously not. Why, then, would a state which wishes to transform productive relations accept the continued existence of these capitalist firms? It would do so only if the limited economic and technical resources at its disposal make it rational for it to work for a period with capitalist firms constrained in this way.

The process of introducing these conditions (“socialist conditionality”), though, is the insertion of new, alien productive relations within the capitalist firm. The combination of state directives which enforce the development of workers councils (with increasing responsibilities) and a growing orientation toward meeting community needs makes the capitalist enterprise contested terrain. And, the struggle within these firms will continue: just as capitalist firms in this case will be constantly attempting to lessen and reduce the burden of “socialist conditionality,” the state—in cooperation with workers and communities—will be working to introduce into these enterprises further elements characteristic of the invading socialist society. In short, we are describing here a process of class struggle in which the goal of socialism for the twenty-first century is the complete replacement of the logic of capital by the logic of a new socialist society.

## From Mészáros to Concrete Proposals For Transforming Venezuela

In the following week, Marta Harnecker received a call from Chávez in relation to our papers. He said, “Could Michael look at the paragraph from István Mészáros’s *Beyond Capital* where Mészáros described capitalism as an organic system of production, distribution and consumption, a system in which everything is connected? If everything is connected, how is it possible to change anything? So, ask Michael to indicate concrete proposals for change in this context.”

Frankly, I was blown away by the question, and my immediate reaction when she passed this message to me was—“What paragraph???” Happily, I had Mészáros’s book with me in Caracas, and so I searched for the paragraph in question. It was not easy, though, to isolate a single section because that is what the whole book is about—the necessity to go beyond all sides of capital if socialism is to be built. Ultimately, I concluded that the paragraph Chávez had in mind was in section 20.3.5 where Mészáros talks about “the inescapable dialectical relationship” between production, distribution, circulation, and consumption, stressing that “the capital relation is made up of many circuits, all intertwined and mutually reinforcing one another.” Here, then, was why Mészáros concluded that “it is inconceivable to achieve the socialist objectives without going beyond capital, i.e. without radically restructuring the totality of existing reproductive relations.”<sup>5</sup> And, here was the problem that concerned Chávez and which now concerned me—what concrete measures were possible in this context? That led to the second of these papers for Chávez in December 2006.

Rereading István Mészáros’s *Beyond Capital*, I am very impressed by the way he goes to the heart of the new society that must be built. It is true that he draws very heavily upon Marx’s discussion in the *Grundrisse* (and I have often stressed this point); however, what is so remarkable is how sharply he hones Marx’s point. Especially significant is the way he stresses a “twofold tyrannical determination” in capital (to which the market socialist reformers in the USSR were oblivious)—(a) “the authoritarianism of the particular workshops,” and (b) “the tyranny of the totalizing market.”<sup>6</sup>

Precisely because this double tyranny is so clear for him, Mészáros is unequivocal in identifying as characteristic of the new socialist society that (a) control of production be “fully vested in the producing individuals themselves,” and (b) that “the social character of labour is asserted directly,” not *after the fact*. In other words, productive activity in this socialism is social not because we produce for each other through a market but because we

*consciously* produce for others. And, it is social not because we are directed to produce those things but because we ourselves as people within society *choose* to produce for those who need what we can provide.

Here is the core of this new socialism as Mészáros saw it—"the *primacy of needs*."<sup>7</sup> Our needs as members of society—both as producers and as consumers—are central. This is a society centred on a conscious exchange of activity for communal needs and communal purposes. It is a society of new, rich human beings who develop in the course of producing *with* others and *for* others; these are people for whom the desire to possess and the associated need for money (the real need that capitalism produces, Marx noted) wither away. We are describing a new world in which we have our individual needs, needs for our own "all-round development," but where we are not driven by material incentives to act. It is a world in which our activity is its own reward (and is, indeed, "life's prime want") because we affirm ourselves as conscious social beings through that activity, a world in which we produce use-values for others and produce ourselves as part of the human family.

But, obviously, those people do not drop from the sky. They are formed by every aspect of their lives. Not only their activity as producers but also in the spheres of distribution and consumption. In this complex dialectic of production-distribution-consumption, Mészáros stresses, no one part can stand alone—it is necessary radically to restructure the *whole* of these relations because capitalism is a "structure of society, in which all relations coexist simultaneously and support one another" (Marx). So, how can you make any real changes if you have to change all relations—and you cannot change them all simultaneously?

In the same way that capitalism developed. Capitalism developed through a process, a process of "subordinating all elements of society to itself" and by creating for itself the organs which it lacked. The new socialist society similarly must develop through a process of subordinating all the elements of capitalism and the logic of capital and by a process of inserting its own logic centred in human beings in its place. It proceeds by assembling the elements of a new dialectic of production-distribution-consumption.

### Elements of the New Socialism

What are those elements? At the core of this new combination are three characteristics: (a) social ownership of the means of production which is a basis for (b) social production organized by workers in order to (c) satisfy communal needs and communal purposes. Let us consider each in its turn and their combination.

Social ownership of the means of production is critical because it is the only way to ensure that our communal, social productivity is directed to the free development of all rather than used to satisfy the private goals of capitalists,

groups of individuals, or state bureaucrats. Social ownership, however, is not the same as state ownership. State property is consistent with state capitalist enterprises, hierarchical statist firms, or firms in which particular groups of workers (rather than society as a whole) capture the major benefits of this state property. Social ownership implies a profound democracy—one in which people function as subjects, both as producers and as members of society.

Production organized by workers builds new relations among producers—relations of cooperation and solidarity; it furthermore allows workers to end “the crippling of body and mind” and the loss of “every atom of freedom, both in bodily and in intellectual activity” (Marx) that comes from the separation of head and hand characteristic of capitalist production. As long as workers are prevented from developing their capacities by combining thinking and doing in the workplace, they remain alienated and fragmented human beings whose enjoyment consists in possessing and consuming things. Further, as long as this production is carried out for their private gain rather than that of society, they look upon others (and, indeed, each other) as means to their own ends and thus remain alienated, fragmented, and crippled. Social production, thus, is a condition for the full development of the producers.

Satisfaction of communal needs and purposes has as its necessary condition a means of identifying and communicating those needs and purposes. Thus, it requires the development of the democratic institutions at every level which can express the needs of society. Production reflects communal needs only with information and decisions which flow from the bottom up. However, in the absence of the transformation of society, the needs transmitted upward are the needs of people formed within capitalism—people who are “in every respect, economically, morally and intellectually, still stamped with the birth marks of the old society” (Marx). Within the new socialist society, the “primacy of needs” is based not upon the individual right to consume things without limit but, rather, upon “the worker’s own need for development”—the needs of people in a society where the free development of each is the condition for the free development of all. In a society like this where our productive activity for others is rewarding in itself and where there is all-round development of individuals, society can place upon its banner: to each according to one’s need for development.

As consideration of these three specific elements suggests, realization of each element depends upon the existence of the other two—precisely Mészáros’s point about the inseparability of this distribution-production-consumption complex. Without production for social needs, no real social property; without social property, no worker decision-making oriented toward society’s needs; without worker decision-making, no transformation of people and their needs. The presence of the defects inherited from the old society in

any one element poisons the others. We return to the essential question: how is a transition possible when everything depends upon everything else?

### **Building Revolutionary Subjects**

In order to identify the measures necessary to build this new socialist society, it is absolutely critical to understand Marx's concept of "revolutionary practice"—the simultaneous changing of circumstances and human activity or self-change. To change a structure in which all relations coexist simultaneously and support one another, you have to do more than try to change a few elements in that structure; you must stress at all times the hub of all these relations—human beings as subjects and products of their own activity.

Every activity in which people engage forms them. Thus, there are two products of every activity—the changing of circumstance or things (e.g., in the production process) and the human product. This second side of production is easily forgotten when talking about structural changes; however, it was not forgotten in the emphasis of the Bolivarian Constitution upon practice and protagonism—in particular, the stress upon participation as "the necessary way of achieving the involvement to ensure their complete development, both individual and collective."

What is the significance of recognizing this process of producing people explicitly? First, it helps us to understand why changes must occur in all spheres—every moment that people act within old relations is a process of reproducing old ideas and attitudes. Working under hierarchical relations, functioning without the ability to make decisions in the workplace and society, focusing upon self-interest rather than upon solidarity within society—these activities produce people on a daily basis; it is the reproduction of the conservatism of everyday life.

Recognizing this second side also directs us to focus upon the introduction of concrete measures which explicitly take into account the effect of those measures upon human development. Thus, for every step two questions must be asked: (1) how does this change circumstances, and (2) how does this help to produce revolutionary subjects and increase their capacities? There are often several ways to make changes, but the particular battles which will build this new socialism more certainly will be those which not only win new ground, but also produce an army capable of fighting new, successful battles.

### **Choosing Concrete Steps**

When we focus upon human beings and their development, it is easy to see how the elements within the new dialectic of production-distribution-consumption are connected. The process is one of synergy—the effects of changes in the sphere of production will be felt in the spheres of distribution

and consumption; thus, this whole is greater than the sum of its individual parts.

Let us consider each of the elements in turn.

### **Producing for Communal Needs and Communal Purposes**

The Bolivarian Revolution has taken a giant leap into the twenty-first century with the creation of the Communal Councils, an essential cell of socialism for the twenty-first century. The communal councils provide a means by which people can identify communal needs democratically and learn that they can do something about these by themselves as a community. In this respect, these new community organizations are a school of socialism—one in which there is simultaneously a changing of circumstance and the development of people, “both individual and collective.”

They are also a base upon which to build. As the councils begin to function successfully, they can take further steps in identifying the needs of the community—what are those needs (both individual and collective) and what are the local resources that can satisfy those needs? For example, the councils can conduct a census of the local cooperatives and other enterprises that could produce for local needs. Further, they could bring together workers and the community to discuss ways to produce for communal needs and purposes.

The communal councils in this respect are a paradigm for this process. Not only are they a vehicle for changing both circumstances and the protagonists themselves but they also move step by step to a deepening of the process. Inevitably, all councils will not develop at the same pace, so uniformity cannot be imposed; however, this unevenness provides an opportunity for more advanced communities to share their experiences (a process which helps to build solidarity among communities). Further, the transmission of their needs upward for participatory budgeting at higher levels is an essential part of the process of developing planning from below for communal needs and purposes.

Of course, not all decisions to satisfy social needs belong at the level of the neighborhood and community. The decisions to reject neoliberalism, to pursue endogenous development, to seek food sovereignty, to create new education and health programmes, to create a new transportation infrastructure, to build new socialist relations—these are decisions which must be made at the national level. So, where is the place for revolutionary practice, the simultaneous changing of circumstances and self-change, in such cases?

There is no automatic place for the protagonism of the people in such state decisions. Perhaps some day a new state which is based upon the communal councils will emerge, and perhaps at some point computers will permit instant referenda on a host of national issues. On such matters at this point, however, the participation from below that allows people to develop their capacities will

only occur as the result of a political commitment, one which makes real the Constitution's understanding that the sovereign people must become not only the object but also the subject of power.

In short, national-level decisions can all be made at the top, which is characteristic of both dictatorships and representative democracies, or there can be a dedicated search for mechanisms which incorporate people below so they not only can affect the nature of the decisions, but also recognize the decisions as *theirs*. The "parliament of the streets" is an obvious example of a mechanism which can incorporate people into the discussions of laws, improve the quality of information available for good decisions, and create an identification with these decisions. However, finding ways to institutionalize this process so that people view it as their *right* to participate (and punish National Assembly deputies who do not honor this right) is important both in empowering people and attacking bureaucracy and elitism.

National decisions on such matters as the sectors of the economy that should be expanded and the social investments that need to be made are most critical at a time when the rapid and dramatic transformation of the structure of the economy from an oil economy is desired. And, these decisions have the profoundest effect upon which needs of society can be satisfied in the present and future. The significance of such decisions is precisely why it is important that they be pursued transparently, that the information that people need to be able to understand the logic behind these proposals be circulated in a simple and clear way and that the proposed plans and directions be discussed in advance in assemblies of workers and communities.

Just as in the case of discussions in communal councils and the development of links between the community needs and local producers, the dissemination and discussion of information<sup>1</sup> about nationwide needs and purposes will be important in mobilizing support and initiatives from below in communities and workplaces to meet the needs of society. Sometimes, too, it will prevent serious errors when national initiatives do not take into account local and regional impacts (especially their environmental effects). Thus, not only do these democratic processes disseminate information downward. They also are an essential means of transmitting information upward.

For goals identified at both the community and national levels, the greater the spread of information and discussions through which people take ownership of the decisions, the more likely that productive activity will occur to ensure the successful achievement of those goals (rather than out of self-interest); in this way, producing for communal needs and purposes emerges as common sense.

### Social Production Organized by Workers

The preconditions for successful worker organization of production are dissemination of the information necessary to carry out the activity and the ability to use this information efficiently. Thus, transparency ("open books") and worker education (through a transformation of the traditional workday to include education) should be introduced in state, private capitalist, and cooperative enterprises.

While some aspects of enterprise activity (such as production statistics and information about purchasing decisions) can be monitored by workers relatively easily, examination of financial data and evaluation of management proposals require the development of more skills. Thus, for an interim period, workers should have access to worker auditors and advisors who can serve on their behalf. These specialists could be part of the group of educators assigned to the enterprise or could be provided to the enterprise by the Ministry of Work or by a trade union or trade union federation.

The steps in which workers assume direction of the organization of production should be set out clearly in advance in each enterprise; these steps and the pace pursued will vary in accordance with the history, culture, and experience in each case. While individual cases will vary, one of the first areas where workers can demonstrate the benefits of worker decision-making is through the reorganization of production. With their knowledge of existing waste and inefficiency, workers should be able to improve productivity and reduce costs of production.

To encourage the efficient production of use-values and to deepen the development of social production, the gains from these worker initiatives should not accrue to the enterprise (especially in the case of private capitalist firms!). Rather, in principle, these benefits should be divided up among enterprise workers and the local community following discussions in worker assemblies and the direct coordination of worker representatives with local communal councils. The links between workers and community built upon this basis are then an important part of the creation of these new relations.

In general, the process by which worker decision-making advances in the enterprise should start from the bottom up. Beginning from worker veto over supervisors (on the logic that supervisors unacceptable to workers are inconsistent with any worker management), the degree of worker decision-making would grow on a step-by-step basis. Starting from a phase in which workers identify the profile of acceptable managers and begin discussions of production and investment proposals of managers, the development of knowledge and worker capacities through this process would proceed toward the goal in which workers (including the managers who represent them and society as a whole) organize social production for communal needs and



purposes.<sup>8</sup>

Under ideal circumstances, the steps in this process will be determined through negotiation and agreement between workers and management of enterprises and will be filed with the Ministry of Work as a social contract. Where timely agreement is not possible, enterprise workers can bring the matter to the Ministry of Work for its action (and for referral to the National Assembly in the case of privately owned enterprises).

It should be pointed out that two characteristics often identified with co-management—worker election of top directors and worker ownership shares—play no role in the above discussion. Both measures contain within them the potential for old ideas and familiar patterns to penetrate into the new relations of worker management and to make them simply new forms of the old relations.

As in the case of representative democracy in the political sphere, worker election of enterprise directors has often served to create a separation between those directors and the people they presumably represent. The club of directors develops its own logic, which is one distinct from the interest of workers. In particular, within the contested terrain of capitalist firms, co-management in this form means cooptation—a means of incorporating workers into the project of capitalists. In contrast, the process described here in which workers organize production is one of protagonistic democracy in which workers' power proceeds from the bottom up and does so for the purpose of serving communal needs.

Similarly, the idea that workers' interests in enterprises (state-owned or private capitalist) should be secured by giving workers shares of ownership—whether those shares are individually held or owned by a cooperative—is a case where co-management can be deformed into self-oriented private ownership. Instead of workers functioning as socially conscious producers, expressing themselves as cooperating producers and members of society, they are transformed into owners whose principal interest is their own income (which means the economic success of their particular company). This is not the way to build social production—i.e., the exchange of activity based upon communal needs and purposes.

### **Social Ownership of the Means of Production**

Social ownership of the means of production is often presented as a matter of ideology. However, in a society oriented toward “ensuring overall human development” and “developing the creative potential of every human being,” social ownership of the means of production is common sense.

The point of social ownership is to ensure that the accumulated products of the social brain and the social hand are subordinated to the full development of human beings rather than used for private purposes. If the private ownership of the means of production does not support the creation of food sovereignty, endogenous development, and investment that generates

good jobs, then the interest of society is advanced by introducing social ownership in its place.

Similarly, if private owners are not prepared to be transparent, to introduce education into the workplace, to accept growing worker decision-making, and to direct their activity increasingly to satisfying communal needs and communal purposes, then they thereby declare that they rank the privileges and prerogatives of private ownership over ensuring overall human development. Where they refuse to support public policies oriented toward creating a society based upon the logic of the human being, they demonstrate that there is no alternative for such a society than social ownership of the means of production.

Thus, it is not the socialist project which excludes them—they exclude themselves by demonstrating that they are incompatible with the full development of human potential.

One month later, on his regular Sunday “teach-in” (*Aló Presidente* #264 on January 28, 2007), Chávez drew upon the concepts developed in this second paper and introduced (to my excitement as I watched!) what he called the “elementary triangle of socialism”: social property, social production, and satisfaction of social needs (by setting out three points on his desk and explaining each side).<sup>9</sup> This was one of many examples of his unique ability to take complex theoretical concepts (most evident in his regular references to Mészáros’s *Beyond Capital*) and to communicate these to the masses of viewers without a theoretical background.<sup>10</sup> With simple commonsense language, Chávez succeeded in grasping the minds of masses, and that was an essential aspect in the combination which was building a path to socialism in his (truncated) lifetime. If we can learn to do that, then Chávez no se va.

## Notes

1. An additional paper I prepared, “Year of Total Education” (stressing education within worker-managed enterprises, education through practice, and an educational television station) was expanded upon by Heiman El Troudi (subsequently Minister of Planning and currently Minister of Transport) to add political and ethical education, and this was an inspiration for the program “*Moral y Luces*” announced in 2007 by Chávez.
2. In the period before Chávez, managers of the state-owned oil company (PDVSA) succeeded in performing the magical feat of ensuring that revenues of the firm disappeared from Venezuela (and thus as state revenues) and appeared instead on the books of subsidiaries such as off-shore refiners.
3. In Venezuela, PDVSA was the obvious example of such a “statist” firm. Its revenue was critical for supporting, among other things, state programs such as the social missions.
4. I subsequently explored the incoherence and dysfunction characteristic of “real socialism” in *The Contradictions of Real Socialism: The Conductor and the Conducted* (New York: Monthly Review Press, 2012).
5. István Mészáros, *Beyond Capital* (New York: Monthly Review Press, 1995), 823.
6. *Ibid.*, 974–75, 837.
7. *Ibid.*, 836.
8. The idea of “profiles” and of the step-by-step emergence of full worker management was developed in the course of meetings in 2006 between the managers of CADAPE (the major state electrical firm at the time) and FETRAELEC (the electrical workers federation) where Marta Harnacker and I played the role of marriage counselors after a breakdown in the process of “co-management” within the firm. Both sides agreed to this proposal but after management consulted with the Ministry of Oil and Energy, all such discussions of worker

- management were ended (presumably because they were contrary to the policy of the ministry, whose minister was, and remains, also the president of PDVSA).
9. A few days earlier, I had incorporated much of the above discussion of socialism as an organic system into a talk (subsequently published as "New Wings for Socialism," *Monthly Review* 58, no. 11 [April 2007]: 34–41) at the launch of the Venezuelan edition of my *Build it Now: Socialism for the 21st Century* (New York: Monthly Review Press, 2006). But there was no mention of a socialist triangle there because that graphic image had yet to be invented by Chávez. Subsequently, though, I drew explicitly upon his concept of the socialist triangle as a way to represent socialism as an organic system—beginning with two books published in Venezuela in 2008 (*El Camino al Desarrollo Humano: Capitalismo o Socialismo?* and *La lógica del capital versus la lógica del desarrollo humano*) and in the essay "The Path to Human Development: Capitalism or Socialism?" (*Monthly Review* 60, no. 9 [February 2009]: 41–63). This was followed by *The Socialist Alternative: Real Human Development* (New York: Monthly Review, 2010), where the socialist triangle served as the organizing theme.
  10. Some examples of his discussion of the socialist triangle were incorporated in the video, "Worker's Control: Theory and Experiences," which was based on a conference on October 26–27, 2007, organized by the Program on Human Development and Practice of Centro Internacional Miranda; available at <http://socialistproject.ca>.



## MONTHLY REVIEW

## Fifty Years Ago

At some time we must examine the root causes of our backwardness and our relations with those who claim they want to help us.

We must note their own contradictions and dilemmas. We must take note not only of what they preach but of what they actually practice.

If the freedom and democracy they extol means the subjection of our economies, the despoliation of our wealth, the exploitation of our people's labor, the importation of an empty, barren, pleasure-seeking culture, let us tell them out with it.

If the gifts they bring us are so many Trojan horses, let us tell them we have had enough of colonialism. We do not want neo-colonialist chains....

Whichever side you are on, whatever you do, remember this: the masses of the world are no longer content to be exploited and humiliated.

They are on the move. They are determined to abolish wage slavery as their forefathers abolished chattel slavery. Some of them will be shot, imprisoned, detained, tortured, brainwashed, and corrupted. But for every one fallen, thousands will rise up. They will neither be deflected nor defeated. And win they will. Their numbers are beyond reckoning. They have written the word "independence" on their breasts, and history and logic are on their side. They are armed with a superior ideology—superior to that based on greed and profit.

Mr. Chairman, we have an opportunity to make history. History will not forgive us if we remain indifferent to the woes, sufferings, heartaches, needs, and aspirations of the masses.

Let it not be said that we have failed.

—Cheddi Jagan, Prime Minister of British Guiana, "Let It Not Be Said That We Have Failed," *Monthly Review*, March 1964 (From the opening session of the Conference of Caribbean Commonwealth countries, January, 1964).

# Baran's Critique of Modern Society and of the Social Sciences

Herbert Marcuse

We are publishing here for the first time a talk that Herbert Marcuse delivered at Stanford University on April 1, 1966, as part of a two-day conference on Paul A. Baran, entitled "Baran and American Radicalism Today"—commemorating the second anniversary of Baran's death (on March 26, 1964).<sup>1</sup> The talk was transcribed from a recording from the conference made available to us by Baran's son, Nicholas Baran. Various editorial annotations have been added in the form of endnotes.

Baran and Marcuse's friendship went back to their days together at the Institute for Social Research in Frankfurt in pre-Hitler Germany. Their close connection is revealed in a series of letters they wrote to each other in the 1950s and early '60s (posted this month on Monthly Review Online). Corresponding with me in December 2013 on his memories of the close relationship between Baran and his father, Peter Marcuse wrote:

*I only met Baran once during the war, when my father was with the OSS [Office of Strategic Services], as I believe Baran was also. I was maybe twelve at the time. Baran had come over to our house to talk to my father, and they stayed up a long time. I asked my father later why Baran had come, and he told me Baran wanted to talk about whether capitalism was ultimately bad for the capitalists as well as the workers, and I gather they had agreed it was. My father was working on Eros and Civilization at the time (on the side, not at OSS!), and I assume that was the context. They really respected each other. I was only a teenager then, but I remember whenever he mentioned Baran's name at the dinner table it was always with a real smile*

Monthly Review Foundation director John Simon, then a Random House editor, was dining with Marcuse at the Oyster Bar in Grand Central Station when Christopher Koch of Pacifica Radio and WBAI joined them with word

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HERBERT MARCUSE (1898–1979) was associated with Institute for Social Research in Frankfurt in pre-Hitler Germany, and emigrated to the United States with other members of the Frankfurt School, eventually taking up a position as professor of philosophy at Brandeis. His books include *Reason and Revolution* (1940), *Eros and Civilization* (1955), and *One-Dimensional Man* (1964).

of Baran's death, which had just come over the wire. Simon thus witnessed firsthand Marcuse's enormous grief at the loss of his friend. Baran had died of a fatal heart attack as he sat down with a glass of wine in his hand to look at Marcuse's just published *One Dimensional Man*—a work which Baran had read earlier in manuscript form.

*In his memorial statement on Baran at the time of his death, Marcuse wrote:*

*Paul Baran is dead. I wish to retain his image as I knew it, the image of one who could not live without being painfully conscious of what was going on behind the façade of freedom, without denouncing the falsehood of the established systems, without examining and re-examining its causes and the chances of liberation....The union of intelligence and hope, of uncompromising indictment and tenderness, made him one of the most loveable human beings I ever met; it also gave him that wonderful humor which is the token of love: he could smile and laugh and joke like those who are truly serious. In his relentless, acid criticism, in his refusal and accusation, he was without aggression, without resentment. There was generosity in his intelligence—the generosity which gives hope.<sup>2</sup>*

The following talk, delivered only days after the publication of *Monopoly Capital: An Essay on the American Economic and Social Order* by Baran and Paul M. Sweezy, Marcuse reveals his admiration for Baran's article on "The Commitment of the Intellectual."<sup>3</sup> Marcuse also provides his understanding of the critical importance of Baran's notion of economic surplus, as introduced in *The Political Economy of Growth* and its significance for the critique of monopoly capital.<sup>4</sup> This throws light on Marcuse's own use of the concept of monopoly capitalism, which is frequently mentioned in his work (see for example his *Counter-Revolution and Revolt*).<sup>5</sup>

Marcuse criticizes Baran for rejecting—in "Marxism and Psychoanalysis"—the use of psychological terms and for distancing himself from Freudian psychoanalysis and its left interpretations.<sup>6</sup> Marcuse was clearly disappointed (as he indicated in a letter to Baran on September 22, 1959, where he commented on the galley to Baran's article) that Baran had not embraced the kind of argument he himself had put forward in *Eros and Civilization*.<sup>7</sup> Nevertheless, it is worth adding that Baran—as Marcuse no doubt understood and as their own correspondence reveals—was far from simply rejecting psychological issues out of hand. Baran's essay on psychoanalysis was aimed at the critique of what he called "psychologism" and "social psychologism"—and not psychology and social psychology. He insisted in this respect that what was needed was a more revolutionary social psychology—that took into account as its initial datum the structure of capitalist society as a whole. He sought to push this view forward near the end of his life through the critique of

*the cultural apparatus, overlapping in this way with the concerns of such thinkers as Marcuse, Fromm, Williams, and Mills. (See the special July-August 2013 issue of Monthly Review on "The Cultural Apparatus of Monopoly Capital").<sup>8</sup> To the end Baran remained an uncompromising critic of the narrow economic rationalism of monopoly-capitalist society and the damaging effect that it exerted on the material existence, culture, and consciousness of humanity.*—John Bellamy Foster

I was grateful to have your invitation to come here and to recall to you and with you Paul Baran who was not only my friend but also, although he was much younger than me, in a way my teacher.<sup>9</sup>

Paul Baran as you know was a Marxist scholar and he was proud of being and *remaining* a Marxist scholar in spite of the apparent or real contradiction between the actual development of capitalist society and the development of the society predicted by Marx. The question I want to ask is: Why did Paul Baran as a scholar, and a good scholar, remain loyal to a radical theory which was to be the guide of a radical political praxis? Why did he remain loyal to a theory which professed openly to be a revolutionary theory by virtue of its scientific foundation? Why did he remain loyal to such a theory at a time when the basic concepts of this theory seemed to be seriously questioned if not refuted? My answer is a twofold one. To Paul Baran the Marxian method was and remained the only one appropriate for the analysis of capitalist society. And secondly, the results obtained by a Marxist analysis still correspond to the reality of capitalist development today.

I would like to discuss the topic assigned to me by first dealing with Paul Baran's critique of the social sciences. In his critique of the social sciences he emphasized the dialectical element in the Marxian method. The sentence he liked to quote again and again was "the truth is the whole." To him it was a revolutionary principle of thought, because it broke with the fetishism and reification, with the fallacy of misplaced concreteness, prevalent in the social sciences, a pseudo-empiricism which in his view tended to make the objectivity of the social sciences a vehicle of apologetics and a defense of the status quo. Baran defined this dialectical principle negatively and I will read to you the definition, the short definition, he gives in "The Commitment of the Intellectual": "The principle 'the truth is the whole'—to use an expression of Hegel—carries with it, in turn, the inescapable necessity of refusing to accept as a datum or to treat as immune from analysis, any single part of the whole."<sup>10</sup>

I would like to supplement this negative definition by a positive one to the effect that in and for the social sciences every particular phenomenon, every particular condition, every particular trend, in a given society must be

analyzed and evaluated in terms of its relations to the whole, i.e., to the established social order. Isolated from this whole the respective phenomenon, condition, or trend remains a false, at least incomplete, and inconclusive datum concealing rather than revealing its true place and function in the social order. The social order itself, the social order as a concrete whole, is determined and defined for Baran following Marx by the material process of social reproduction and by the hierarchy of functions and values established in this social process of production. But the concrete relation between any particular fact, datum, condition, or trend, on the one side, and the whole social order, on the other, is never a direct and immediate one. It is always established through various intermediate factors, agencies, and powers, among them psychological factors, the family as agent of society, the mass media, language, images prevalent in a society, and so forth.

I would like to mention here that precisely in this emphasis on the intermediate and intermediary factors between the particular datum, on the one side, and the social order on the other, Baran tended to minimize the importance, the increasing importance, of psychological factors. This was perhaps the only, or at least the main, point of difference between us. He wrote an article in which he for example attacked psychoanalysis on grounds which seemed to me obsolete.<sup>11</sup> Accusing Freud of a narrow biologism, seeing only in the instinctual structure of men biological forces, Baran did not see to what extent the apparently only biological concepts of Freud were loaded with social content; for example to what extent the reality principle in its effect on the instinctual structure was not a biological but a social and historical principle.

Now the whole which is the target of the analysis in the social sciences is not something thought out by the philosopher or the social scientist, it is not, as it is so frequently called, a hypostatization. It is rather the real concrete which shapes the existence, the life, the function and prospects of every single one of us, of every single member of the population of a given society. This whole is nothing abstract, it is the most concrete power that exists, and precisely in this power of the society as a whole, unmasked by the individuals, is expressed the negative picture of the capitalist system, and not only the capitalist system, but of any society in which the process of production and reproduction takes place unmasked and uncontrolled by the individuals themselves.

Now Baran believed that a social science which neglects this dialectical relationship between the particular conditions and facts, on the one side, and the whole social order, on the other—that such a social science succumbs to the fallacy of misplaced concreteness; that such a social science is necessarily uncritical because it takes for a neutral, objective datum that which in reality is, in a literal sense, a made datum; such a science cancels or conceals the

factors behind the facts. And since social science deals with the relations between men it conceals the social interests and powers which make the fact. Let me give you two examples. The first example is electoral returns and the degree to which such returns are indications of democracy operating at an optimal level.<sup>12</sup> Such a study takes usually as final data the two existing parties, the mass media, and what is transmitted as information by the mass media, and it takes as granted a self-determination in choosing a candidate, what may well be the result of a long-term indoctrination and manipulation. In other words, taking all these facts merely as facts and not looking for the factors that make the facts and determine their power and the direction in which they work. Such studies may well call "choice" what in fact is not really a choice, what amounts to a no choice between pre-given and pre-established facts and candidates.

Second example, public opinion polls which fail to relate to the framework of choice and expression, fail to relate to the degree of indoctrination preceding and resulting in the freely expressed opinion. They abstract from the institutionalized social repression caused by the normal pressure in this society, pressure exerted by, caused by, the newspapers, the neighbors, status, job, and so on. This is the same relation, or rather the *failing* of a missed-relation, between the fact of public opinion and the factors that make the public opinion. The pollsters working in the service of the powers-that-be may thus well be in the situation of the makers of public opinion who afterwards in a scientific way ascertain the public opinion which they have contributed in making.

I should like to emphasize that Paul Baran never really rejected or neglected the need for quantitative analysis, the need for statistical work and painful and painstaking statistical work in the social sciences. He never rejected outright even positivism, that is to say the insistence on verifiable experience and observation. This insistence on verifiable experience plays an important part in Paul Baran's work. But he was not satisfied with a mutilated and manufactured experience. He believed that the facts and data of experience would reveal their true content and meaning only if analyzed in the context of the social order as a whole. And that meant for him only if analyzed on the basis of a comprehensive and critical theory of society. Otherwise the facts would remain mute facts or false and incomplete data.

Now in his critique of uncritical social science, Paul Baran struck at the very roots of the positivistic fallacy with his attack on the positivistic treatment, or rather non-treatment, of values as lying outside any scientific scrutiny. His analysis of the relation between facts and values, his restoration of values as legitimate scientific content, is doubly important. First, because it provides a legitimate theoretical underpinning, the methodological basis, for Paul Baran's insistence on the political commitment of the intellectual. And



secondly, this restoration of values as scientific objects opened to him a taboo dimension of the social sciences. Values, such as real or professed adherents to certain ethical standards, such as specific political aspirations and goals, such as norms of private behavior and so on, are not merely a matter of personal or group preference, but they are in their prevalence, choice, and effectiveness objective elements, factors, and forces of the established social order; they are historical facts and forces. And as historical facts and forces values become subject to scientific-theoretical criteria for their evaluation. They are social forces which operate in a determinable direction and function in the social order. They partake as negative or positive, as regressive or progressive, values and forces, they partake of the historical dynamic of a given society. And this distinction and evaluation—progressive/regressive, positive/negative—is within the domain of a rational, scientific, objective analysis and definition.

With this provocative thesis Baran has a clear rebuttal to the [received] argument that, I quote, “We can never deduce by means of evidence and logic alone any statement concerning what is good or what is bad or what contributes to rather than militates against human welfare.”<sup>13</sup> Baran says this statement is correct but entirely beside the point, because the distinction that I mentioned progressive/regressive, positive/negative—this distinction is never to be made in absolute terms and in the abstract. It is always and everywhere only the question of progressive and regressive in historical terms, that is, in terms of the available material and intellectual resources, the technical means of their extraction, utilization, and distribution, and in terms of the historical chances of greater rationality in the sense of human welfare.

Let me give you again an example for this complete and objective distinction between progressive and regressive within a given historical context. The value judgment, progressive or regressive, applied for example to the situation in the backward countries today is translatable into statements of fact concerning for example the need for a radical agrarian reform, gradual industrialization, and statements of fact concerning the economic and political function of foreign capital and so on and so on. On the basis of these facts we can come to a more than preferential personal or group judgment, on which policy in the backward countries would have a historical chance of progress in human welfare and which would have the opposite chance. And on the basis of such a concrete analysis the social scientist can then proceed to examine the various means and policies in these countries with a view of their prospective chance to attain the desired end, namely the modernization and humanization of these societies.

Along these lines Paul Baran was able to show how the ethical neutrality toward values was in reality a self-imposed limitation of the analysis, and refusal on the part of the social scientists to deal with a whole dimension of fact, often of

decisive fact, and in this sense he called it uncritical and even unscientific. He once called this neutralization of social science a "contracting out," delegation of responsibility to whom it may concern, but not to the social scientist himself who was doing the work; delegating of responsibility, not only moral but also scientific responsibility. Namely the responsibility of the theoretician: to seek the whole truth, not to accommodate to a definition of facts which excludes the most valuable facts—those facts which would imply taking sides, taking position, in the struggle of conflicting political movements.<sup>14</sup> Such political commitment is the result rather than the prejudice of theoretical analysis, and it was for Paul Baran an essential element of scientific objectivity. The facts themselves, the ascertained conditions themselves, implied if analyzed to the very end, implied such a political commitment, implied such a taking of sides.

I will say only a few words on Baran's critique of society.<sup>15</sup> I want to pick out only what seems to me to be the most decisive and distinguishing tendency. Baran's critique of society—and here I do not distinguish, it is hard to distinguish, between his own contribution and that of Paul Sweezy—this critique of society is focused on one central concept, namely that of economic surplus. I want to discuss or rather report very briefly on Baran's use of this concept because it seems to me to be a typical illustration of a scientific concept aiming at a scientific fact which in itself already involves political commitment and taking sides. In *The Political Economy of Growth* Baran distinguishes actual and potential surplus. He defines actual surplus, I quote, as "the difference between society's *actual* current output and its *actual* current consumption." And he defines potential surplus as "the difference between the output that *could* be produced in a given natural and technological environment with the help of employable productive resources, and what might be regarded as essential consumption."<sup>16</sup> In more vulgar Marxian terms, with this concept of economic surplus the target of the analysis is the contradiction between the available social wealth and its restrictive and even miserable utilization, between productive forces and productive relations restricting and distorting these forces. And this contradiction is documented and analyzed concretely in two major areas, that of monopoly capitalism in the United States and in the area of the backward countries, and analyzed in the interrelation between these two areas. The result is for Paul Baran a corroboration of Marxian theory reformulated and applied to the transformation of competitive to monopoly capitalism.

I cannot go into this transformation and the concepts with which he analyzes it. Again I only want to point to what seems to me to be the main focus of this analysis, namely the change in the decisive economic unit from the free, competitive private enterprise to monopolistic or oligopolistic enterprise and correspondingly from free to regimented competition. And connected with it the changes in the Marxian concept of value and its relation

to price, the whole problem of administered prices. And thirdly and lastly the change in the structure and function of the industrial and laboring classes in the advanced industrial countries. These three areas required a thoroughgoing reexamination and reformulation of Marxian theory. When I said that to Baran the actual development of capitalism still corroborated Marxian theory, I do not think we can understand this in the simple terms, that if the old theory doesn't fit anymore you simply add to it new concepts or new aspects until it is indeed fit to comprehend the new phenomena. The decisive criterion whether such an extraneous addition to theory has taken place or not is the examination of whether the new concepts and new elements can be derived and deduced from the basic concepts of Marxian theory itself as the internal development of the basic concepts. If this is the case we simply do not have an adaptation extraneous to the theory or the new facts, but an attempt is made to comprehend the new facts in developing on the basis of the theory itself the main theoretical concepts.

The correspondence between Marxian theory and the development of the capitalist reality Baran saw in one decisive and general condition, namely that the system can continue to work only with increasing waste and destruction of resources: productive destruction in terms of profitability and the continuation of the system; destructive destruction in terms of human welfare and in terms of what is going on outside the borders of the more or less affluent society. It continued to work only with increasing waste and destruction of resources producing poverty at home and abroad, intensifying repression and manipulation, intensifying militarism and chauvinism, and generating in its own growth and expansion new conflicts on an international scale. This certainly was not the dramatic collapse of capitalism which Marx projected, but it was certainly and is certainly very close to the main propositions of his analysis of the capitalist process itself: it can work, it can even expand and grow, but only while intensifying the terrible contradiction between the social wealth and its use, and by expanding waste and destruction.

Paul Baran was very careful in his prediction of the final crisis of capitalism. He was much too much aware of the overwhelming rationality which contained the irrational destructive and inhuman forces of the system. He was much too much aware of the effectiveness with which the affluent society shaped the very needs of its population to conform to the requirements of the system. At the same time, and I mentioned it, he was suspicious of all psychologizing of economic and political conditions and relations. He saw in such usage of psychological terms and categories a diversion from the real issues and problems and from the ways of combating the repression. And on these grounds he was bitterly opposed to the preaching of Marxian humanism. He saw in Marxian humanism, as it has become fashionable during the last twenty years, an escape from the real danger zones of society and a distortion of the Marxian conception

## MARCUSE ON BARAN

itself, an escape from the real test of theory and practice. To him Marxian humanism was expressed and preserved (*aufgehoben*) only in the economic theory of Marx and condensed in the concept of economic surplus. This concept contains the basis of the critique of the inhuman society and the growing of attention to the real technical economic possibilities of translating humanism into reality by using the available social wealth in a rational way in the interest of society as a whole and not only within the national orders.<sup>17</sup>

I centered my discussion on this concept of economic surplus because in my view it unites theory and practice, facts and values, scientific objectivity and commitment. And this unity is anchored in the question: What does this society do with its rising surplus, that is to say with its growing capability to create a human life for all, with its growing potential for the conquest of poverty and scarcity the world over, with its growing potential for peace and liberation? Once the analysis has shown that this conflict between the possible and the actual exists, and at the same time that it does not have to exist, that it is not a natural law, and not a permanent historical law—once the analysis has demonstrated it—the taking of sides, the political commitment becomes part and parcel of the objective scientific analysis, and neutrality would only amount again to a limitation or a restriction of the facts.

I have at the beginning raised the rather important question of why Paul Baran in spite of real or apparent conflicts with the reality remained in the Marxian sense a radical. I think I can sum up my answer now in one sentence. He remained a radical because to him this kind of radicalism was not brought to bear on the theory from outside, was not a personal preference, but was implied and involved in the theoretical analysis itself and therefore was an element not only of moral and political but also of scientific responsibility.

## Notes

1. Among the other speakers at the conference were Moses Abramovitz, Bettina Aptheker, Saul Landau, James O'Connor, and Franz Schurman.
2. Herbert Marcuse in *Paul A. Baran: A Collective Portrait* (New York: Monthly Review Press, 1965), 114–15. The book is a reprint of a special issue of the magazine, *Monthly Review* 18, no. 11 (March 1965).
3. Paul Baran and Paul M. Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (New York: Monthly Review Press, 1966); Paul A. Baran, "The Commitment of the Intellectual," *Monthly Review* 13 no. 1 (May 1961): 8–18.
4. Paul A. Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1967).
5. Herbert Marcuse, *Counterrevolution and Revolt* (Boston: Beacon Press, 1972).
6. Paul A. Baran, "Marxism and Psychoanalysis," in *Monthly Review* 11, no. 8 (October 1959): 188–200.
7. Herbert Marcuse, *Eros and Civilization* (New York: Vintage Books, 1955).
8. "The Cultural Apparatus of Monopoly Capital" special issue is *Monthly Review* 65, no. 3 (July–August 2013).
9. This is followed by a few brief remarks, which have been deleted here, in which Marcuse makes ad lib remarks in relation to the previous treatment of Baran by Professor Moses Abramovitz, former chairman of the Starfort economics department, whose talk preceded his own.
10. Paul A. Baran, "The Commitment of the Intellectual," 13; G.W.F. Hegel, *The Phenomenology of Spirit* (New York: Oxford University Press, 1977), 11. Baran and Sweezy made the "truth is the whole" from Hegel the first of two epigrams placed on the frontpiece of *Monopoly Capital*.
11. Baran, "Marxism and Psychoanalysis."
12. This sentence has been taken from a paraphrase by a narrator on the tape who said: "I am sorry to interrupt

## HERBERT MARCUSE

but a small part of Mr. Marcuse's address was lost while the operator changed tapes. The first example about which he spoke was electoral returns and to what degree such returns were indications of democracy operating at an optimal level. Mr. Marcuse goes on."

13. Baran, "The Commitment of the Intellectual," 14. Baran here was presenting the dominant view in order to critique it.
14. Baran, "The Commitment of the Intellectual," 11-12.
15. A sentence has been deleted from the main text here, where Marcuse says to the conference goers: "I hope the discussion groups tomorrow will deal more concretely with this question."
16. Paul. A. Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1957), 22-23. The quotation from Baran was misread slightly in Marcuse's talk and has been corrected here.
17. Marcuse, as he stated, differed with the degree of Baran's rejection of psychologism, but in these statements on Marxist humanism Marcuse was expressing in part his own ambivalence, shared with Baran, of then-fashionable views that simply sought to meld bourgeois humanism with Marx, while abandoning a thoroughgoing political-economic critique of capitalism. This is consistent with Marcuse's statements here, as well as with what he wrote elsewhere at about the same time: "Humanism must remain ideology as long as society depends on continued poverty, arrested automation, mass media, prevented birth control, and on the creation and re-creation of masses, of noise and pollution, of planned obsolescence and waste, and mental and physical rearmament." Herbert Marcuse, "Socialist Humanism?" in Erich Fromm, *Socialist Humanism: An International Symposium* (Garden City, NY: Doubleday, 1966), 114-15.

**STATEMENT about ownership and other particulars of newspaper ANALYTICAL MONTHLY REVIEW as required to be published in the first issue of every year after the last day of February.**

### FORM IV (See Rule 8)

- |                                                                                                                                           |   |                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------|
| 1. Place of publication                                                                                                                   | : | Kharagpur                                                                                                                             |
| 2. Periodicity of its publication                                                                                                         | : | Monthly                                                                                                                               |
| 3. Printer's Name                                                                                                                         | : | Subhas Aikat                                                                                                                          |
| Whether citizen of India                                                                                                                  | : | Yes                                                                                                                                   |
| Address                                                                                                                                   | : | Cornerstone Publications,<br>Ramesh Dutta Sarani,<br>P.O. HJRI Co-operative,<br>Kharagpur - 721308,<br>Paschim Medinipur, West Bengal |
| 4. Publisher's Name                                                                                                                       | : | Subhas Aikat                                                                                                                          |
| Whether citizen of India                                                                                                                  | : | Yes                                                                                                                                   |
| Address                                                                                                                                   | : | Same as above                                                                                                                         |
| 5. Editor's Name                                                                                                                          | : | Subhas Aikat                                                                                                                          |
| Whether citizen of India                                                                                                                  | : | Yes                                                                                                                                   |
| Address                                                                                                                                   | : | Same as above                                                                                                                         |
| 6. Name and address of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital | : | Subhas Aikat<br>Cornerstone Publications,<br>P.O. HJRI Co-operative,<br>Kharagpur - 721308, W.B.                                      |

I, Subhas Aikat, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated March 1, 2014

(Subhas Aikat)  
Signature of Publisher

# The Baran–Sweezy Letters Project

Nicholas Baran

The correspondence of Paul Baran and Paul Sweezy in the 1950s and early '60s is one of the great, unknown legacies of Marxian political economy in the United States. Over the past year and a half, I have been transcribing all of these letters with the goal of having the collection published by Monthly Review press, both as a hardcopy book of selected letters, as well as an unabridged e-book. In commemoration of my father, Paul A. Baran, on the fiftieth anniversary of his death on March 26, 1964, we decided to refer publicly for the first time to the Baran–Sweezy Letters Project and to publish a few important and representative letters.

In discussing the letters between my father and his best friend and colleague, Paul Sweezy, the best place to start is with the first two paragraphs of Sweezy's "Paul A. Baran: A Personal Memoir," part of the special March 1965 issue of *Monthly Review*, *Paul Alexander Baran (1910--1964): A Collective Portrait*:

I first met Paul Baran shortly after he came to this country in the fall of 1939. I was teaching at Harvard, and he looked me up in Cambridge, bringing with him a letter of introduction from our mutual friend Oskar Lange who was then a professor of economics at the University of Chicago.

Paul had a very powerful personality, and one could be attracted to him immediately on meeting him, just as one could take an immediate dislike to him. He and I were drawn together at once and our intellectual and personal friendship became ever closer and more meaningful to both of us during the next 25 years. As it happens, however, we never for long lived in the same locality, so that much of our discourse was perforce by written word. While he was alive I always found this deplorable. But now that he is gone I can appreciate its positive side. Up until about 1950, we corresponded sporadically and did not save our letters. But soon after he went to Stanford in 1949, we began to correspond regularly and soon discovered that it was necessary to save letters for reference and continuity.

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NICHOLAS BARAN is the son of Paul A. Baran. He is an attorney and former computer technology journalist and writer. His article "The Privatization of Telecommunications" appeared in the July–August 1996 issue of *Monthly Review*. He would like to thank John Bellamy Foster for his assistance with this article.

As a result I have a precious file of hundreds of his letters. He was a good letter writer and liked to “think on the typewriter.” We exchanged views on current happenings here and abroad, tried out ideas on each other and developed them through criticism and discussion. Some of his best and most stimulating thought is in these letters, and I hope in good time to publish a volume containing a substantial selection which I am confident will be a most valuable addition to his all too few written works.<sup>1</sup>

Sweezy never got around to publishing that volume, but fortunately he did save the file of letters, which amounts to some one-thousand single-spaced, typewritten pages. The Baran–Sweezy letters indeed chronicle the remarkable personal and intellectual friendship between the two men. And they also chronicle a crucial period in the history of socialist economic thought and Cold War politics: the Marshall plan and the division of Germany, Eastern Europe, the Korean War, the Eisenhower–Stevenson election, the McCarthy era and its academic witch hunt, the Soviet invasion of Hungary, the Cuban Revolution and the prospect of other revolutions in Latin America, the Sino–Soviet split, and the rise of China in the socialist world. The letters chronicle Baran and Sweezy’s perspectives as these events were occurring, without the benefit of hindsight. One of the key tenets of Marxism is to apply historical perspective to the analysis of social and economic conditions, and these letters provide a remarkable historical perspective on the events of the time. They illuminate the issues that faced supporters of socialism living in the capitalist world, particularly in the U.S. academy, but also in the country in general.

The other—and perhaps most important—thread in the letters is, to paraphrase Sweezy, the trying out of ideas on each other, and the development of those ideas through discussion and criticism. These letters quite literally represent the foundation of their book, *Monopoly Capital*; passages from it were taken verbatim from the letters. In them, Baran worked out his version of the economic surplus theory, which laid the groundwork for his earlier book, *The Political Economy of Growth*.

Converting these letters to a digital format has been a painstaking process. As Sweezy said, my father liked to think on the typewriter. As a kid, I got the impression that his “tripe-writer,” as I called it back then, was literally an extension of his person. I spent many hours at his house, listening to his typewriter’s rat-a-tat-tat. He was a two-finger typist, and basically did not believe in the use of paragraphs, but was incredibly fast considering his method. His letters were for the most part single-spaced streams of consciousness, often typed on both sides of the page, and often with a worn ribbon. The upshot of this is that most of his letters could not be accurately scanned into digital format, and so had to be retyped. Here is what Leo Huberman, co-editor of *Monthly Review*, had to say in a March 1950 letter to my father about one of his early

submissions to the magazine: "Yours is an interesting provocative piece, which if written on 1 side of the paper, double-spaced, would be even better. However, we're gluttons for punishment and we'll decipher it. Particularly because it contains some excellent Baranisms."

In addition to the typed letters, there are a considerable number of handwritten ones, which were primarily penned when Sweezy or Baran were travelling. Both men travelled extensively, often writing letters to each other on hotel stationery. Their handwriting reflected their very different personalities. Sweezy wrote neatly and legibly, reflecting a more deliberate and methodical style. Baran's handwriting reflected his impatience, anxiously moving to the next thought, no time to worry about delineating the different vowels, which often ended up looking like a series of small sine waves. (I spent quite a bit of time with a magnifying glass trying to decipher key words in a Baran handwritten sentence, and not always successfully.)

Just as their handwriting reflected the two Pauls' different personalities, so did the letters themselves. It is worth briefly considering their backgrounds. Baran was educated in the classic European tradition. He spoke and read Russian, Polish, German, and English fluently. He could deliver a lecture in any of those four languages without a hiccup. He also spoke French very well, and had a good grasp of Latin. He was exceptionally well read in philosophy, history, literature, and, of course, in classical economics.

Baran grew up in Russia and Germany, and lived in Europe until his late twenties, when he emigrated to the United States. Like many European intellectuals who came around the time of the Second World War, Baran had a hard time adjusting to the "American way of life," and particularly to that way of life as exemplified in the suburban backwater of Palo Alto, California. Baran felt at home in a café in Paris, but was a fish out of water at the Stanford faculty swim club. While some European immigrants embraced American culture and sought to assimilate themselves into it, my father kept his distance, and in fact was quite disdainful and contemptuous of it. He absolutely despised the game of baseball. He had similar feelings about chewing gum, potato chips, Coca-Cola, and the abomination of American television, all of which were forbidden in his household. Because he and my mother divorced when I was quite young, she was able to allow me some exposure to these things at her home, while on the weekends at my father's house, I was exposed to Scrabble, chess, and a regular dose of Paul Robeson records, one of his few concessions to American culture (and a good one, indeed).

Sweezy, on the other hand, was an American through and through. He got a "classic" American education at Exeter and Harvard, and also did postgraduate studies at the London School of Economics and in Vienna, eventually getting a PhD in economics at Harvard. He grew up in a venerable old New England family and was a serious baseball fan, often listening to the



Boston Braves and then the Boston Red Sox on the radio. He was also a formidable scholar, with a strong background in philosophy and history, as well as being on the path to a tenured professorship in economics at Harvard, where he had a teaching position as an assistant professor, until his Marxist views got in the way. (Sweezy was never, as is sometimes supposed, denied tenure at Harvard; he resigned his teaching position with two and a half years still left in his contract after it was clear that his prospects for tenure were dim in the growing Cold War climate of the time.) One only has to read Sweezy's *The Theory of Capitalist Development*, which was published when he was thirty-two-years old, to appreciate the breadth and depth of his intellect and education.

But unlike Baran, Sweezy understood American culture. He was a great admirer of Thorstein Veblen, the merits of whom Sweezy and Baran debated extensively in their letters (Baran did not share Sweezy's enthusiasm for Veblen, at least until later when they were working on *Monopoly Capital*, when Baran came to recognize Veblen's contribution to understanding business enterprise). Sweezy had a more nuanced view of the American way of life. Although he and Baran were both very critical of their colleagues in the economics profession, Sweezy was more willing to give the benefit of the doubt to those who had not yet fully embraced Marxism, but at least were on a sympathetic path. Baran was more quick to dismiss those who did not see the light as intellectually dishonest or incompetent. Sweezy generally tried to mollify Baran's anger, encouraging him to look at things a little more dialectically. It is in fact ironic that for all his understanding of dialectics and historical materialism, Baran had difficulty applying those analytical tools when it came to U.S. society, which was also reflected in his role as a father of a child growing up in the United States, whom he in vain tried to shield from the culture around him.

Sweezy was Baran's sounding board for his complaints about life at Stanford, about his colleagues "feeding their rhododendrons" and going off on junkets paid by the RAND Corporation in exchange for their toeing the bourgeois line, about students more interested in their suntans than in their studies. And while he may have been a bit harsh in his assessment of colleagues and students, Baran's complaints about Stanford were not unjustified. Indeed, as Baran became more outspoken in his support for the Cuban Revolution, he was abandoned by his colleagues as well as by the university administration, which froze his salary and tried to make life for him at Stanford as unpleasant as possible, hoping that he would give up the fight and quietly resign. Ironically, as Baran neared the end of his life, large numbers of Stanford students were rallying to his cause, attending his lectures, and demanding that the University stop its harassment of him.

The Baran-Sweezy letters were an ongoing quest for common ground

## THE BARAN-SWEEZY LETTERS PROJECT

coming from very different cultural and educational backgrounds. And remarkably, as their friendship and understanding of each other grew, they almost always succeeded in finding common ground. Although my father was so strident and passionate about his views, and therefore expressed them frequently in very harsh terms, he would listen to Sweezy. Baran would try to moderate his tone based on Sweezy's criticisms. And Sweezy clearly benefitted as well from Baran's relentless demand for theoretical clarity, leaving no stone unturned. They were truly a remarkable study in the ability to disagree respectfully and to then arrive at a mutually acceptable position, a skill that seems all but lost in today's acrimonious intellectual atmosphere. But this skill really was based on the tremendous respect Baran and Sweezy had for each other.

It is important to emphasize that these letters comprised a private correspondence between two friends and colleagues who trusted and respected each other. While they sometimes joked about their letters being published posthumously, some of the thoughts and emotions they expressed were never intended for public consumption and should therefore be read with that perspective in mind. While in today's world, the concept of privacy is almost an anachronism, it did indeed mean something fifty years ago. But fifty years seems long enough to justify publishing these letters largely uncensored, to present as full a picture as possible of these two brilliant economists.

What follows are a few samples and excerpts from the voluminous collection of letters. They can only provide a glimpse of the remarkable intellectual and personal exchange that transpired over the fifteen-year period in which these letters were written.

But more than that of course they constitute a valuable intellectual legacy. In *The Political Economy of Growth*, published by Monthly Review Press in 1957, Baran had introduced the concept of economic surplus (rooted in Marx's concept of surplus value) as a critical tool in the analysis of economic development. Baran and Sweezy's *Monopoly Capital*, which they began working on even before *The Political Economy of Growth* was completed, was meant to rest on a broadening of the economic surplus concept to account more fully for the waste built into the very structure of a monopoly capitalist economy. These are issues that are of even greater importance today in our era of deepening economic stagnation and environmental crisis, as it becomes necessary to critique what we produce and consume and why, i.e., the use-value structure of the modern economy.

Along the way Baran and Sweezy took on many other questions, peppering the letters with a wealth of insights. In the letters published here they criticized the economic growth conceptions of their good friend, the British Keynesian economist Nicholas Kaldor, who had gone, in their view, the way of abstract model building, rather than addressing the complex and critical historical issues. They commented on the narrowing political climate in the United States

represented by the attack on C. Wright Mills for being too left wing for the academy. They raised the question, via the work of Eric Fromm, of what Baran, in his article "On the Nature of Marxism," was to call "the confrontation of reality with reason."<sup>2</sup> They discussed the work that Sweezy was conducting into the evolution of technology. And Baran introduces his powerful conception (revealed here for the first time) of "the heterogeneity of the historical dimensions." It is thus the opportunity to see the birth of a general critique in the very process of its development and with the full wealth of ideas; many never before made available, that makes the whole Baran and Sweezy correspondence so valuable to the left today.

The four substantive letters between "the two Pauls," as they were sometimes called, published in whole or in part here, are of course the ones that are most important from an intellectual standpoint. But I want to start with a different, more personal Baran-Sweezy letter, not between Paul Baran and Paul Sweezy, but written by Sweezy to me when I was nineteen years old in 1971, seven years after my father's death. The letter says much about Sweezy himself and also about his relationship with both me and my father. At the time, I had dropped out of Stanford and was living in a small town in Austria, working at a travel agency and courting an Austrian girl I had met the summer after high school. I had become quite disillusioned with politics and had written a very strident letter to Sweezy about my disillusionment. Here was his response:

#### LETTER ONE: PAUL M. SWEEZY TO NICHOLAS BARAN

Larchmont, NY

June 13, 1971

Dear Nicky,

I won't hide the fact that your letter made me very sad: you sound so much like a disillusioned old man who is not yet 20 years old! I don't want to preach to you—I know well enough that it would do no good. I don't even want to argue against your interpretation of the world—God knows there is plenty of evidence to back it up. What is so sad, to me, is that by opting out, by seeking what you call a "simple life with simple people," by refusing commitment and renouncing struggle, you condemn yourself to live a diminished life, not to know or experience the things that raise humanity above the level of mere animal existence.

There is no peace in the world, you say. How right you are! What, then, is our responsibility—to look around for some little corner which is

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somehow protected from the storms which batter everyone else? Or to accept that there is no peace and, as best we can, struggle for a world in which not only a few people but billions of people can live in peace? But the revolutionary movement which proclaims such aims is repugnant to you. It is full of opportunists and ego-trippers, dishonest people and especially leaders who want to use it to get a bit of recognition and prestige. Quite so. And there would be much more you could say in criticism. But let me assure you that it is not the same movement that existed ten years ago, not to mention twenty years ago when for all practical purposes there was no movement at all. It has changed, and there is every reason to believe that it will go on changing. Perhaps in the long run you would get more satisfaction from changing it into something you could respect and creatively participate in. (The fact that you so thoroughly dislike it as it is today proves that you have an idea somewhere in your head of a movement you would like and approve of.)

You don't know whom to trust or whom to believe, and the implication is pretty clear that you doubt that there is anyone worthy of your confidence. How do you know? Your experience at 19 cannot be so extensive as to give you that assurance from personal knowledge. Have you read and studied so much that you are satisfied you know about and understand all the movements and all the leaders in the world who claim to be as disgusted as you with the status quo but who are involved in efforts to change it? For example, what do you know about the Chinese Revolution, and especially its latest phase the cultural revolution? What do you know about Mao-Tse-Tung? Are you certain that the excitement which many—including Harry [Magdoff] and me—feel as we study developments in China is merely a form of self-deception? That our dawning conviction that China proves, as the USSR did not and indeed probably never had a chance to do, another kind of society radically different from capitalism and other class-exploitative societies to be possible—that this dawning conviction is irrelevant and silly?

I said I wouldn't preach, and I'm afraid that's just what I'm in danger of doing. In closing let me ask you to read again and think about carefully [your father's essay] "The Commitment of the Intellectual."<sup>3</sup> What would Bibi's [my name for my father—N.B.] life have been like if he had not believed in and lived up to that most eloquent and truly noble credo. If he had opted out when fascism overwhelmed Europe and gone, let us say, to New Zealand to find a little peace and quiet? You can probably imagine the answers as well as I can. Actually, he has had a great impact on the revolutionary movements of the world, especially in Latin America and increasingly in all the other countries of the Third World. He believed in something, he struggled for it, and he lived—not a happy life—that is more than we even have a right to ask when billions live in misery and starvation—but a meaningful life. At any rate

you should be proud of him, one of the all-too-few great men in this poor (spiritually, not materially) country in the middle years of the 20th century.

And my other plea to you is on a different level: don't let yourself become a vegetable. Use your head. Read and think and study. Probe deeply into history and politics and philosophy. You are too young to decide what your whole life will be. Keep open the options. If and when, for whatever reason, you ever decide you want to pursue a different course, be prepared to do so. By this, I don't mean go back to college: that might make sense under certain circumstances, but it is not the only possibility. Most of us in the radical movement—and believe me, that doesn't necessarily mean conforming to one of your pseudo-revolutionary stereotypes—have had to educate ourselves to a very large extent. Far from being a burden, it is one of the rewarding experiences of growing up (or getting old).

If I preached after all, it is only because I love you and cannot bear to think of you as an old man at 19. If only I were that age again and know what I do now. Wow! Would I change the world!

You don't mention in your letter your *Freundin* [Austrian girlfriend]. Does all go well in that department? I too once had an Austrian girlfriend, a *Wienerin*, of whom it was said, "*das ist eine alte Geschichte dass die Elsa die schoenste Frau in Wien ist.*" [It's an old story that Elsa is the most beautiful girl in Vienna]. Maybe not quite, but she was the most exciting thing I had met up to then (age twenty-two), and I will always remember her with gratitude. Give your lady a *Kuess* from me, and do write again and forgive me for being what must seem to you so un-understanding.

As always,

/s Paul

## LETTER TWO: PAUL M. SWEZY TO PAUL A. BARAN

Handwritten:

Wilton, NH

November 25, 1956

Dear Paul,

Just a note after finishing reading Kaldor's lecture at Peking which he thinks of as the outline of a whole theory of economic development. What really astonishes me is the "propensity" of these guys to play around with a few formulas—which are at bottom mere tautologies—and then to draw all sorts of grandiose conclusions from them, conclusions which merely reflect their ideological preferences anyway. Savings = investment and total demand

= total supply. Capitalists' spending is not tied to current income, workers' spending is. Total production can't increase faster than technical progress and population growth permit. Capitalists' investment depends on the rate at which they expect the market (= total production) to expand. Throw in a few implicit assumptions about the initial distribution of income between wages and surplus, and believe it or not, you have a theory of economic development. What's more, they want to reduce Marx to their own level. He had some formulas too, and they will show you how his can be transformed into special cases of their own "more general" formulas. So, lo and behold, Marx is a special case of Kaldor and everything is reduced to a level of pure banality.

Let us take a firm resolution to write a whole book without a single formula. Formulas are the opium of the economists, and they acted that way on Marx too. Vide the chapter on the falling rate of profit which tries as hard as any of the modern stuff to squeeze knowledge out of tautologies.

The real problems, it seems to me, are:

(1) To get a good working idea of what is surplus, and for this the first essential is to understand that it is related only indirectly to ordinary distribution of income data. Lots of wages are paid out of surplus, i.e. whole categories of workers absorb surplus—likewise whole "industries" like advertising and finance. The trouble is that this creates really very tricky problems and paradoxes. One has to go back to classical-Marxian ideas of productive and unproductive labor and adapt them to modern conditions and (if possible) statistics. This is a crucial branch of theory which does not exist for the Keynesian and other neo-classics.

(2) Analysis of the production sector. (The generation of surplus). The institutional capitalist—laws of operation, relation to class structure and behavior, etc. Price policy, wage policy, technological compulsions etc., etc.

(3) Analysis of the unproductive sector (absorption of surplus). The different categories of "absorbers": luxury consumers, unproductive "industries," government, etc., including complex transfer relations [e.g., public benefits].

(4) The interactions of the productive and unproductive sectors—full of unexplored problems. In an underdeveloped capitalist economy, e.g. it might do to assume that wages and profits in the unproductive sector are determined in the (much larger) productive sector. But obviously that won't do in an economy like that of the U.S. today in which the unproductive sector may well be larger than the productive.

(5) The crucial contradiction, i.e., that "working well" for a system of this type means, indeed necessitates, a growing departure from the possible attainments of the system's resources (in human, natural and technological terms) in the line of welfare, abolition of exploitation, freeing civilization from the poison of wealth fetishization, etc. What we have is a progressive

*degradation* of civilization instead of its progressive improvement.

Oh hell, these are only some of the problems, but anyway, they are serious. If only one could get the time and environment to work seriously on them. But I see no prospect. Time is chopped up, the intellectual environment is hostile, the world reflects all too accurately the trends of the capitalist system (which unfortunately all too easily infect the socialist societies which are still susceptible because, basically, they are so goddamn poor and will be for a long time to come), and one's personal life is almost inevitably all mixed up.

As you probably inferred at the outset, Nicky [Kaldor] is around Cambridge now, which is how I happened to see his Peking lecture. He is clever enough but incorrigibly superficial. He sits around pontificating about what's been happening to U.S. capitalism, and the sad truth is that it boils down to the ideological picture which such organs of Big Business and Fortune would like to put across. By contrast, C. Wright Mills is an intellectual giant—and a breath of fresh air. But if C.W.M. is the best we can point to as a theorist of U.S. capitalism, what a commentary on present-day social "science"!

Oh, well, enough of that for today. I'm working on the MRS [Model, Roland & Stone] project [on technology] and hope to be able to sketch out in a few days a *comprehensive* (though of course very un-detailed) view of the "industrial revolution" we want to analyze.<sup>4</sup> As I see it now, to identify it with "automation" or any other such catch phrase is quite misleading. What is really at the bottom of it is a *quantitative* increase in the application of really scientific methods and principles to industry which has produced a *qualitatively* new result—one of those jumps of which Engels was so fond. The prototype was probably the chemical industry and the production of synthetics, with Germany (and I.G. Farben) as the true parent. Then the war gave an enormous stimulus. Electronics, which pre-war had been virtually coterminous with radio, began moving into many fields, and it is from this that automation gets its start. But the application of scientific methods has gone way beyond that and has at last become an institutionalized feature of the economy. Chemicals, of course, continues to be a leader, but metallurgy—which had up to now always been a purely empirical art—is now in the act. What they call "solid-state physics" is beginning to give a theoretical basis for metallurgy and thus to introduce the era of "synthetics" here as it was earlier introduced in the chemical industries. Nuclear physics is also playing a crucial role, though relatively it has probably been over-dramatized somewhat in recent years. Still, the future importance of fission, and even more of fusion, power is certainly revolutionary in its own right.

One can organize all this in several ways. E.g. one can distinguish new *materials*, new *methods*, and new *products*. (It is important, I think, not to talk of new "industries" because this tends to make one look for new firms—

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historically, the two always went together—and this is just what we will not find in an era of huge diversified combines.) I would like to give examples of each, show how they originated, and how the categories overlap. Also indicate some of the main probable lines of development in the next decade or two.

I haven't thought much about relating all this to the overall economy, but I imagine that could be more or less put into conventional terms.

Now that my ink has given out, I guess I'd better sign off.

Love, /s Paul

P.S. The Hungarian situation gets to look worse and worse from all points of view, it seems to me, what a really dreadful business it is.

## LETTER THREE: PAUL A. BARAN TO PAUL M. SWEEZY

Los Altos, CA

November 28, 1956

Dear Paul,

Before departing to the campus at 1 o'clock, I finished the first reading of the galley proofs [of *The Political Economy of Growth*] and stepped out to the mailbox to find your letter of November 25th. The hurricane of thoughts and more or less dim emotions provoked by both, the book and your letter, was blowing through my head during the entire day filled with a seminar in which a moronic student held forth on a moronic subject, with office hours in which a dozen or so of representatives of our *jeunesse dorée* [i.e., Stanford students] came to inquire about the courses which they should or should not take next quarter, and with a department meeting in which my colleagues debated ad nauseam how much mathematics should be considered a minimum requirement for a Ph.D. In the corridor, on my way home—or rather to see Nicky [Baran], my more or less steady dinner companion—I ran into the Chairman of our Sociology Dept., The Honorable Professor LaPiere—a personally very friendly individual who brags about—among other things—never reading a newspaper, and learned from him that his Dept. has a \$12,000 p.a. [per annum] professorship in Sociology (just freshly endowed by Ford) and is unable to find anyone to take it. I said “why don't you try C.W. Mills, he has a mediocre job in Columbia College (not Graduate School), is an interesting fellow and might be tempted....” LaPiere looked at me with some astonishment, shrugged his shoulders and said: “But Mills is not a sociologist, he is a Marxist....”

The one-gulp perusal of my book [*The Political Economy of Growth*—I read it in two very long evenings plus one morning—has made upon me a very complex impact. Having reached now a certain minimal distance to the



thing, I have the feeling that it is not a bad job. It has faults, and the most important of them is that it covers too much ground and by so doing deals too sketchily with a number of things. In particular this applies to the first part concerning Monopoly Capital.<sup>5</sup> The basic points are o.k. the accents are properly placed and the crucial problems are at least brought into the open. If it had a chance to be read by a *friendly* audience, it could perform even a function of stimulating discussion, of steering people to the right kind of questions, of pushing Marxist thought on Mono.Cap. off its dead center and into a deepened consideration of what we both agree is the crux of the matter: the generation and absorption of the economic surplus (Incidentally, I like this formulation *very* much!). But in the hands of official economists.... God only knows what the reaction will be, or perhaps it is only too clear what it will be!

There is, furthermore, one trouble with it that is glaring: its vocabulary and its emotive tone! But what in hell does one do about it? As far as the former is concerned, the possibilities of using an Aesopian Language are unfortunately very limited. Should one *not* speak of "bourgeois" economics, not mention "capitalism," "imperialism," "socialism?" And how does one avoid then sacrificing contents to sticking to an academically sanctioned language? As far as the latter is at issue, matters are more complicated. It is my individual, characterological shortcoming.... I happen to be too emotive in everything, and therefore in writing, I don't know how to be detached (and to *do* something at the same time!) and I do feel bitter about the superficiality, smugness, opportunism, cowardice or outright stupidity of the so-called profession. And what you call "the hostile intellectual surrounding" is contributing undoubtedly its large share to this pent-up aggression by continually kindling it, by giving it fresh fuel every day, by remarks such as the one above of LaPiere, by the feeling of being surrounded by people with whom one has not even a language in common. And this aggressiveness against all of this does two things at the same time: it chokes one's productivity and channels whatever remains of it into what becomes an angry outcry.

I am making a few—not extensive and not expensive—changes in the proofs, and hope to be done with all of it within the next few days. I understand from the original time-table that the thing is not due back until December 18th; I will have it back no later than end of next week. I have to write a preface, and to go over the text once more. And thereafter *habeant sua fata libelli* [leave it in the hands of the reader]....

I noticed that [Erich] Fromm formulates an idea which I have had—as you may remember—for a long time; the distinction between reason and intelligence, between intellectuals and intellect workers, the phenomenon of what I always thought of as the "High IQ imbecile":

We must differentiate between intelligence and reason. By intelligence I

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mean the ability to manipulate concepts for the purpose of achieving some practical end. The chimpanzee—who puts the two sticks together in order to get at the banana because no one of the two is [not] long enough to do the job—uses intelligence.... *Intelligence*, in this sense is taking things for granted as they are, making combinations which have the purpose of facilitating their manipulation.... *Reason*, on the other hand, aims at understanding; it tries to find out what is behind the surface, to recognize the kernel, the essence of the reality which surrounds us" (*The Same Society*, 169–70).

And this is precisely where the dog is buried, this is exactly what makes it well nigh impossible to talk to the Kaldors & Co.: they think only in terms of intelligence (of which they usually have a lot); they think *never* in terms of reason. They always take things for granted, always scratch merely the surface, always refuse to look for the essence. And the more sophisticated among them, the "philosophers" of sorts, rationalize this attitude by logical maneuvering and by "proving" that there is no "meaning" to the notion essence. Incidentally, this is where the real distinction lies between those who Marx considered to be great economists and the "vulgar" ones. For it is *not* decisive whether those who are devoted to reason necessarily agree with you; what matters is that they are concerned with looking for the *essence* of things, that they are not content to merely manipulate surface phenomena. One can have a meaningful discussion with them; they may see the essence in different processes than one happens to see them oneself—as long as they do not take everything for granted they are intellectuals and not sycophants! The trouble is that all those one has to deal with are precisely the latter: they take everything for granted, and there is nothing to talk to them about, except if—just to maintain some human intercourse—one descends to their own level and talks to them about their stuff. This, I think, applies to what you say about Kaldoriana and the formula game. In the formula game they can display all of the "intelligence" and the less they want to go into the essence of things the more they have to demonstrate their manipulative skills so as to be considered great men. And the greatest manipulator among them will be always held in greatest prestige—a Hicks, a Samuelson *et tutti quanti* [and all the rest]—for the more manipulative capacity; the less use of reason, which is precisely what is needed for the education of the young....

All of this fascinating and terribly important, perhaps that is where the nub of bourgeois ideology and culture is located. The thing that is absorbing me now is the question to what extent the same business appears in the East [i.e., the socialist bloc]. They want to shift all of their education etc. to technology and such. If (a tremendous "if," to be sure) their society is *en principe* at least *reasonable*, if it is o.k. to take their basic structure for granted, everything is allright. I was for a long time of the opinion that such is the case. Is it? I still am strongly inclined to this view, for I still believe that its

*essence* (nationalization, planning, etc.) is rational. The disturbing feature is really whether the human beast with its psycho structure is not part of the essence. In other words: I may have written or spoken to you earlier about the following idea: I call it pompously the "heterogeneity of the historical dimensions." To wit: the political change (setting up a new regime via revolution) goes very fast. Industrialization much more slowly. Suitable reorganization of agriculture even more so. The transformation of the capitalist or even pre-capitalist man into a conscious, understanding, honest citizen of a socialist society may last not generations but centuries. It is actually this unevenness of the developmental processes that creates the entire mess.... But isn't this unevenness part of the essence of matters? Marx himself had clearly an inkling of all of this, his remarks about the socialist society emerging from the womb of the capitalist society and many others are clear indication of it. But didn't he in his general overestimation of the tempo assume a much lesser heterogeneity of the dimensions? Didn't he believe that what is at issue are years, while in fact it looks more like decades and ages? On this there is much to say, and much to think....

All that is in your letter in re: the study of mono cap. is wholly in agreement with my own notions. And what you say about the prospects or execution is unfortunately too true also on this end. The miserableness of personal existence in all of its elements has much to do with this dimness of outlook. I am sure that even this hick-up of a book that I produced would have never been possible were it not for the presence of Dorothy here [apparently a female companion of my father's no one seems to know about and of whom I have no memory—N.B.].... With her around I was at least moderately able to work. With my little Nicky being my only, repeat only, human contact, I get completely stymied, have no energy for anything and stare at the desk instead of doing something. It is all phantastic but nevertheless true. And no prospect whatever to mend matters, certainly not in this rathole! At the same time a strong feeling that there is so much that could be said, needs to be said—if for no other reason than to "live oneself out," to let one's energies, one's thoughts, one's minimal abilities not strangle one....

[The rest of the letter, dealing with various mundane details, has been omitted.]

Love

/s Paul

#### LETTER FOUR (EXCERPT): PAUL M. SWEETZ TO PAUL A. BARAN

Larchmont, NY

December 16, 1961

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Speaking of Poland reminds me that I had a long interview with [Polish economist Zygmunt] Zielinski on Friday, mostly on opus.<sup>6</sup> He is an intelligent fellow and I think understood what I was telling him. Where he kept asking questions was on a point that I am sure will be the sticking point for many of our professional colleagues: how do you define socially necessary costs which are to be deducted from total production in order to arrive at the amount of surplus? Is it what costs would be under a regime of competition? But how do you know what they would be, if that is your solution? And if you say that socially necessary costs are those which would obtain in a rationally planned society, that doesn't help much either because presumably the composition of output would be very different in a rationally planned economy. I'm afraid I wasn't very successful in answering him.

Maybe the best way out is to think in terms of the technologically efficient production of the *actual* output with the given organization of the economy, making allowance [in the surplus concept] only for that part of production which is evidently and obviously motivated by sales considerations rather than by utility considerations. The trouble is that in a full-fledged monopoly regime, God only knows the mixture of motivations, and in any case one doesn't like to define *anything* by such shifty and shaky subjective criteria. I wish one of us could come up with an elegant solution of this problem: it is certainly the toughest theoretical nut in the whole basket.

### LETTER FIVE (EXCERPT): PAUL A. BARAN TO PAUL M. SWEEZY

Palo Alto, CA

December 19, 1961

Of the crux nature of the Zielinski problem I am (and, as you know, I have been) fully aware. A number of things need to be remembered. First, one should avoid mixing up definition or rather *definability* with *measurement*. I can speak *meaningfully* of suffering, joy, oppression, exploitation, domination, or even of my liking Mozart more than Irving Berlin without being able to answer the question, "how much?" and "how much more?" Secondly, the insistence on clear-cut definitions is in itself perhaps a trap barring further progress of knowledge. Because a really adequate definition presupposes your complete mastery of what is being defined. If we could fully and neatly *define* "cancer" or "mental disorder," we would *eo ipso* know all about them. The physicists still cannot really *define* the smallest particle (apart from the formal statement that it must be the smallest) or for that matter electricity—which does not prevent both the physicians and the physicists from working with heuristic hypotheses (quasi-definitions) in order

to arrive at more adequate ones.

Translated into the terms of the surplus, all one can say, I think, is the following: Society has at its disposal a certain volume of potential INPUT. The size of this INPUT is determined (a) by the natural wealth of the country in question; (b) its available capital stock; (those two things in the short run because in the long run they are both subject to change), and (c) x hours of labor (the latter depending on customs, mores etc. with regard to working age, length of the working day, vacations and holidays allowed and what have you). One could add (d) if one wanted to: scientific knowledge, managerial and organizational talent and so forth.

Now we have two clear-cut facts: (a) part of this potential INPUT is not being utilized although in the case of material items it *could* be utilized: and in the case of humans would *wish* to be utilized; (b) the INPUT yields a certain kind (volume & composition) of OUTPUT. Ideally, both the INPUT and OUTPUT should be expressible in physical, direct, non-market terms. This cannot be done for obvious index number reasons (attempts to do it in labor unit terms work only under most simplifying assumptions *vide* Sraffa; otherwise some unit of measurement has to be employed and it comes down to price).

Now a further difficulty of which Ricardo, Marx *et tout le monde* are aware: in order to compare INPUT and OUTPUT they have to be rendered comparable in a basic qualitative sense (for what sense is there in asking whether 5 hours of work is more or less than one salami?). Therefore labor input is simply set equal to sum total of wage goods eaten up by the laborers. With this adjustment made, a difference can be struck between society's *actual* INPUT and its *actual* OUTPUT. This difference is the actually observable SURPLUS. The POTENTIAL SURPLUS is this actually observable surplus plus such output as could be produced if the unused potential INPUT were put into operation. (Again with the provision that there are social limits to the length of working year, economic limits to the usability of some inaccessible natural resources or obsolete machines etc.)

This potential surplus is, however, only potential surplus *ceteris paribus*, i.e. within the capitalist system. The moment we move away from the capitalist system the whole thing begins to shift because both Inputs and Outputs change. It is therefore very hard, if not impossible, to identify the magnitude of the potential surplus under capitalism using criteria from outside capitalism. But do I have to, except for developmental planning under socialism within the first few years? It cannot be repeated often enough that the economic surplus as we use it is not a positive but a critical concept, a tool of analysis with the help of which one should be able to see clearer the fetishistic obfuscations of capitalism rather than make NBER type calculations.

## THE BARAN-SWEEZY LETTERS PROJECT

It is not uninteresting in that connection that the “uninstructed man in the street” understands *this* aspect of the matter very much easier than the hairsplitting because ideologically befogged economist. The economic surplus in socialist not in capitalist terms is the sum total of *OUTPUT imputable to misused INPUT*—and by “misused” I mean here exploited in the Marxian sense, wasted in our sense, unemployed in the Keynesian sense. This share of output *is* constantly growing under monopoly capitalism. Question: *what do you mean by wasted?* This they all know perfectly well (again, nobody in his senses in a u/d c [an underdeveloped country] will ask that question!) and if they ask it’s only to create a diversionary movement. More specifically it is all output that is not conducive to and not required for the health, happiness and development of man. Who is to decide what *is* so conducive and so required? Man himself when society permits him to think, to choose with his head *and* with his heart rather than be chosen for by other people’s neither heads nor hearts but pocketbooks.

To give a complete, statistically calculable and comprehensive *definition* would demand our knowing the structure, the tastes, the volitions of man in a socialist society. This was refused by Marx, this we still have to refuse today, although certain developments in the Soviet Union (particularly in the field of education) as well as certain aspects of the New Program permit now some concrete glimpses. Again: critically and negatively: *no* air-conditioned nightmares like Chase Manhattan Bdg’s, *no* motorized monsters to the tune of 60 million, *no* rape of the country by superhighways and billboards, no...., no...., no.... It should be all neatly figured out and aggregated with the help of nonexistent and unknown prices?

Just like asking Einstein to give an exact calculation of an A-Bomb impact at a time when he was working on his relativity theory.... They want to get from the *Statistical Abstract* the data for the socialist economy and society—which is nothing but a negation of the *essential* novelty of that society.

## Notes

1. Paul M. Sweezy, “Paul Alexander Baran: A Personal Memoir,” *Monthly Review* 18, no. 11 (March 1966): 28.
2. Paul Baran, “Crisis of Marxism? Part II, On the Nature of Marxism,” *Monthly Review* 10, no. 7 (November 1958): 261.
3. Paul A. Baran, “The Commitment of the Intellectual,” *Monthly Review* 13, no. 1 (May 1961): 8-18.
4. Model, Roland & Stone (MRS) was an investment banking firm, member of the New York Stock Exchange, and had contracted with Paul Baran, while he was a staff economist at the Federal Reserve Bank in 1948, to write articles for its client newsletter, coincidentally and ironically entitled “Monthly Review.” Baran had recruited Sweezy to help him with the articles and they split the fee. The project referred to here resulted in a fifty-page MRS booklet written entirely by Sweezy and published anonymously a MRS report in 1957 under the title *The Scientific-Industrial Revolution*.
5. This refers to the *subject* of Monopoly Capital (often abbreviated “Mono Cap.” in their letters), and not to the title of their book, published some nine years later.
6. Baran and Sweezy referred to their future book *Monopoly Capital* as the “opus.”

# How Can We Combine Direct Support Work with Political Analysis?

Victoria Law

Harsha Walia, *Undoing Border Imperialism* (Oakland, CA: AK Press, 2013), 321 pages, \$16.00, paperback.

: One December day in 2007, two thousand people showed up at Vancouver's International Airport. Unlike other days, these particular people had not come to catch a flight; they were there to stop a person from boarding one. Laibar Singh, a paralyzed refugee from India, was facing deportation. On the day he was to leave, those two thousand people, mostly Punjabi elders and aunties, shut down the international terminal, causing the cancellation of dozens of flights. They formed a protective circle around Singh for hours, finally forcing immigration enforcement to back down.

"This historic blockade in December 2007 is the only documented time in recent North American history that the violence of deportation has been prevented through the power of a mass mobilization and direct action," wrote Harsha Walia, one of the organizers responsible for this mass mobilization and the author and editor of *Undoing Border Imperialism*. Walia is a longtime organizer with No One Is Illegal (NOII), a decentralized network of groups across Canada that works with refugees, undocumented migrants, and migrant workers. At the same time, NOII also offers a systemic critique of border imperialism. This combination "stands in contrast to more mainstream immigrant rights movements that ignore the centrality of empire and capitalism to the violence of displacement, migration and border controls" (110). Walia combines her own analyses, experiences, and writings with poems and short essays by other migrant justice organizers as well as a roundtable discussion with various organizers with NOII.

The stopping of Singh's deportation is just one example of migrant rights organizing documented in *Undoing Border Imperialism*, the latest in the Anarchist Intervention series, a collaboration between AK Press and the Institute for Anarchist Studies. But beyond being a list of visible victories, the book also examines the behind-the-scenes organizing that enabled this and

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## COMBINING ANALYSIS AND DIRECT SUPPORT

other successes while placing immigration and deportation in a broader political context. Moving away from the popular rhetoric that blames and punishes migrants or forces them to assimilate, the concept of “border imperialism” examines and analyzes the processes of displacement and migration. It situates border imperialism within several larger issues

1. The free flow of capitalism that creates displacements while simultaneously securing Western borders against the very people who capitalism and empire have displaced;
2. The process of criminalizing migrants by constructing them as deviants and illegals. In addition, this criminalization profits companies that receive contracts for border militarization and migrant detention;
3. The entrenchment of a racialized national and imperial identity;
4. The legal denial of permanent residency to a growing number of migrants to ensure an exploitable, marginalized, and expendable pool of labor.

In other words, “Border imperialism can be understood as creating and reproducing global mass displacements and the conditions necessary for the legalized precarity of migrants, which are inscribed by the racialized and gendered violence of empire as well as capitalist segregation and differential segmentation of labor” (75). While *Undoing Border Imperialism* focuses on migrant rights and anti-deportation efforts in Canada, these topics are just as relevant to those organizing within the United States, where immigrant rights issues continue to fuel debates and activism.

*Undoing Border Imperialism* is not just academic discourse. Drawing on both her own and others’ experiences with NOII, Walia explores how groups—particularly those engaging in support campaigns—can remain politicized and maintain a principled message while also working with groups and individuals who may not share their full analysis. This is a challenge confronting other groups that engage in a radical transformative framework while also seeking to make concrete changes in oppressive systems.

Walia links NOII’s direct support with the larger anti-oppression framework, stating:

Direct support is premised on the notion that supporting people in fighting for their most basic needs, especially to live in safety, is necessary to advancing the struggle. Second, the practice of anti-oppression encourages people with privilege to take on tangible responsibilities in ensuring a more dignified survival for those without full immigration status. Even though many of us, as racialized immigrants, come with our own histories of border imperialism, we recognize we must offer support to those migrants who are currently caught within the system’s tentacles. The third tenet is to mobilize on the basis of solidarity, not charity, which means that



support is mobilized alongside rather than on behalf of people. (103)

One example is that of Solidarity City, a culmination of campaigns which resulted in the city of Toronto declaring that all city-operated spaces would be accessible to migrants regardless of status. But Solidarity City did not happen overnight. Rather, it was the outcome of nine years of migrant rights campaigns, including the Education Not Deportation and Shelter Sanctuary Status campaigns.

In 2006, precipitated by immigrant officials' removal of two undocumented children from a Toronto school, NOII-Toronto focused on building the Education Not Deportation campaign. Drawing on the previous two years of advocating Don't Ask Don't Tell policies within various municipal and governmental bodies, NOII called on the Toronto District School Board to welcome all students, regardless of status, and defend schools from immigration enforcement.<sup>1</sup> They were joined by parents, teachers, other migrant justice activists, and educators, including the largest teachers' union in Ontario. Flooded with these demands, the school board passed a Don't Ask Don't Tell policy stipulating that all students under the age of eighteen had a right to access education without fear of detention or deportation.

Recognizing that the passing of a policy is only the first step, organizers then shifted their focus to ensure that every local school was informed about the policy as well as how to meaningfully implement it. In 2010, the school board not only provided appropriate trainings to teachers and school staff, but also provided over five hundred schools with educational posters about the policy.

In 2008, NOII initiated the Shelter Sanctuary Status campaign to prevent immigration officials from entering Toronto's women's shelters. Over 120 groups signed onto the campaign's main demands—ensuring that anti-violence services are accessible to undocumented survivors without the threat of detention or deportation, and barring immigration officials from entering or waiting outside these centers. The campaign revealed divisions within the women's movement. NOII-Toronto organizer Farrah Miranda recalled resistance among senior management in a number of women's shelters. "We were told that if undocumented women found that certain spaces were accessible to them, they would show up in larger numbers at their gates" (115). She noted that their comments echoed xenophobic claims that immigrants come to western countries simply to avail themselves of the country's social services.

The resistance of certain shelter staff and management notwithstanding, the Shelter Sanctuary Status campaign won a substantial victory in 2010 when the Canadian Border Services Agency (CBSA) was pressured into issuing a directive that enforcement officers would not enter women's shelters or spaces

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for those experiencing violence. In addition, CBSA could not make inquiries of staff or other shelter residents about the identity and legal status of any women seeking these services. The victory, however, was short-lived; in 2011, a new CBSA policy authorized enforcement officers to enter anti-violence centers.

The organizing and victories, however short-lived some may have been, laid the groundwork for 2013, when the city itself declared that all city-operated spaces were accessible to undocumented migrants, making Toronto the first Sanctuary City where city services were accessible to all. Reflects NOII-Toronto's Fariah Chowhury, "Solidarity City is a way of organizing as well as a goal. It is a way to get access to services for non-status people right now, and to involve people in the control and organization of the places they work, live, and receive education, health care and basic services" (116-17).

*Undoing Border Imperialism* also includes a roundtable discussion with fifteen organizers from the various NOII groups across Canada. Each shares a different perspective and set of experiences in linking the concrete migrant rights and anti-deportation work with building sustainable grassroots campaigns that continue to challenge borders and capitalism. Organizers share experiences in resisting state injustices while, at the same time, challenging individual behaviors that are sexist, homophobic, or oppressive. Alex Mah of NOII-Vancouver recounted doing support for a male refugee who was being sponsored by his female partner, who revealed that she was experiencing physical violence at his hands. "At her request and based on our own beliefs, we did not withdraw support, which would have placed both partners in a further precarious situation," Mah recalled. "Instead, we worked to establish a supportive circle around the woman, engaged the man in conversations about violence against women, and continued to work with the male refugee in his struggle for legal status" (227).

*Undoing Border Imperialism* is not just for those doing migrant justice work. The lessons learned from organizers in the various NOII groups can be applied to those involved in any form of social justice organizing. "On many days, fighting against border imperialism is like swimming in glue or grieving against gravity," Walia reflects. "But I remember all the battles we have won and the shifting terrain for migrant justice movements that has centered the voices of immigrant, refugee and nonstatus communities within broader movements" (145). *Undoing Border Imperialism* is a valuable resource in both recording these victories and providing blueprints for strategies moving forward.

### Note

1. The described Don't Ask Don't Tell policy refers to immigration policy, not the more famous U.S. military policy. According to Walia, over thirty U.S. municipalities have been pressured to adopt this policy, which prohibits municipal employees from asking or sharing information about immigration status when providing city services.

# Plastic Plague

Ian Angus

Charles Moore with Cassandra Phillips, *Plastic Ocean: How a Sea Captain's Chance Discovery Launched a Determined Quest to Save the Oceans* (New York: Penguin Group, 2011), 358 pages, \$16, paperback.

Four decades ago, when most greens were blaming pollution on population growth and personal consumption, socialist-environmentalist Barry Commoner showed that neither could account for the radical increase in pollutants since the end of the Second World War. In *The Closing Circle*, he argued that "the chief reason for the environmental crisis...is the sweeping transformation of productive technology since World War II."<sup>1</sup> In particular, he pointed to dramatic increases in the production and use of materials not found in nature, such as synthetics that do not degrade and therefore become permanent blights on the earth.

Commoner described natural processes as essentially circular: "In the ecosphere every effect is also a cause: an animal's waste becomes food for soil bacteria; what bacteria excrete nourishes plants; animals eat the plants."<sup>2</sup> But modern industrial systems are characterized by linear processes: "machine A always yields product B, and product B, once used, is cast away, having no further meaning for the machine, the product, or the user." As a result, "We have broken out of the circle of life, converting its endless cycles into man-made, linear events....[M]an-made breaks in the ecosphere's cycles spew out toxic chemicals, sewage, heaps of rubbish—testimony to our power to tear the ecological fabric that has, for millions of years, sustained the planet's life."<sup>3</sup>

The petrochemical industry in particular has generated a huge range of materials that nature cannot recycle and reuse. In the first decade after the Second World War, plastics were promoted for and used primarily to make durable products: furniture, tires, automobile and airplane components, and the like. But while plastics are still widely used for long-lasting products, the industry has found its biggest success with throwaways, products specifically designed to be used once and discarded. Commoner described the trend toward disposables in 1971, but he could not have known then how bad it would get when the plastic industry really got going. When *The Closing Circle* was published, there were no plastic soft-drink bottles, and no one imagined that giant corporations would one day brand and bottle tap water. Today, 72 billion plastic bottles are produced every year. Similarly, Commoner wrote before the introduction of plastic grocery bags, which were not adopted by

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major supermarket chains until the early 1980s. Today over 500 billion bags are made every year.

Bottles and bags—together with blister packs, polystyrene tubs, foam peanuts, bubble wrap, styrofoam trays, candy wrappers, and a multitude of other forms of packaging—now account for a third of the plastic produced each year worldwide. It is a bizarre and extremely irrational process: producing products that are designed to be thrown away but are made from materials that never die. The second of Barry Commoner's famous Four Laws of Ecology is: *everything must go somewhere*. As he wrote, that is a critically important issue for materials that degrade extremely slowly, if at all. Some plastic has been burned, some has been recycled, but most—billions and billions of tons of it—remains on earth, and will do so indefinitely.

In his remarkable book *Plastic Ocean*, Charles Moore (with Cassandra Phillips) reports on the part of the "unstoppable avalanche of nonessentials" (39) that ends up in the oceans, where it chokes and poisons fish, mammals, and birds, and endangers human life. By turns a memoir, environmental exposé, and call to action, *Plastic Ocean* is a dramatic account of what Moore has learned in fifteen years of collecting plastic debris in the Pacific Ocean, studying its effects on marine wildlife, tracing its origins, and campaigning to stop it.

Moore is a rare creature, an activist researcher with the means and determination to work independently of academic and corporate restrictions. Using a family inheritance—ironically, his grandfather was president of Hancock Oil—he founded the Algalita Marine Research Foundation in 1994, hoping "to shorten the distance between research and restoration of the marine environment." He writes, "The 'spill, study, and stall' crowd—advocating the hundred-year-old petroleum industry's strategy—demands a science of valueless facts to provide a 'complete' mechanistic understanding of a problem before embarking on any solution. Endless, purposeful delay pending perfect 'sound science' enforces a form of intellectual sadomasochism driven by the need to preserve profits, not benefit society" (329).

In 1997, while sailing his research boat between Hawaii and California, Moore was initially bemused and then shocked by the amount of plastic litter that floated by, a thousand miles from the nearest land. He later learned that the material he saw was concentrated in the North Pacific Gyre, an area where intersecting currents, prevailing winds, and the earth's rotation combine to produce a slow moving whirlpool more than twice the size of Texas. There are huge gyres in each of the world's oceans. Any plastic light enough to float that enters the sea—either directly by spills and dumping, or carried from land by wind or rivers—is likely to be swept into a gyre, where it will circulate indefinitely, broken by waves and wind into ever-smaller particles. Moore explains: "Anthropogenic debris—man-made trash, 80–90 percent of it plastic—has broken the reverie of pristine perfection that is the ocean's essence. It's become her most common surface feature.... Trash has

superseded the natural ocean sights, stamping a permanent plastic footprint on the ocean's surface" (70). Bear in mind that although people have been dumping garbage in oceans for millennia, we have only been throwing plastic away for fifty years. The accumulation of millions of tons of plastic in ocean gyres is powerful confirmation that the nature of garbage changed qualitatively in the last half of the twentieth century.

On the Internet, it is easy to find articles that describe the "Great Pacific Garbage Patch" as a floating island of plastic debris, sixty to ninety feet thick. Moore dissociates himself from such fantasies. He describes it as a thin plastic soup—untold millions of plastic particles, interspersed with disposable lighters, pieces of fish net, broken buoys, and other objects that have not broken up yet. If anything, that makes it much more dangerous to the birds, mammals, and fish to whom small colored particles suspended in water look like food.

Concern about the plastic ocean is not simply about aesthetics—the ocean equivalent of roadside trash. It is not just unsightly; it has made the ocean deadly for its inhabitants. Cases of large animals killed by plastic have been widely publicized—thousands of birds, turtles, seals, and even whales die every year, their throats and guts clogged with indigestible debris. Plastic affects the entire animal food chain. As Moore's research has proven, even tiny lanternfish ingest plastic particles—and since they are the main food of tuna, cod, salmon, and shark, many of those particles become part of human diets. In addition to causing direct physical damage to digestive systems, plastic particles are now known to be an efficient delivery system for toxic chemicals, some from their manufacturing processes, others absorbed as they float by polluted shorelines. Many of these chemicals are endocrine disrupters, which interfere with biological processes, including fetal development. In addition to causing premature death for countless animals, these chemicals ultimately concentrate in the fish that humans eat, contributing to a host of diseases.

These consequences are all well-known to science, but there has been little action to stop plastic pollution. The industry has successfully diverted attention away from the production of throwaway plastics to individual consumer behavior—the "solutions" they promote involve cleaning up or recycling products that never should have been made in the first place. Moore discovered this personally in 2000, when a conference on marine debris rejected his request for discussion of the plastics industry. For the organizers, he realized, "plastics pose a 'handling' problem—that is, a 'people problem,' not a material problem. It's all our fault, in other words" (162). At a similar conference in 2011, government and industry representatives worked with the organizers to draft what was to be "a plan to lead the way to a debris-free ocean"—but the draft did not even mention plastic until Moore and other activist-scientists loudly objected. As Moore told a reporter at the time, trying to clean up the oceans while doing nothing to stop production of disposable

plastic is like “trying to bail out a bathtub with the tap still running” (165).

Ultimately, Moore concludes, the problem is a system that puts corporate interests ahead of the environment, even ahead of human survival. “Because change is hard and powerful people and organizations benefit from the status quo. Plastics are a high-stakes game, and those who run it can ill afford to lose control of the playing field. But ridding the oceans of plastic means stopping all plastic inputs—now” (292). That will only happen if governments “confront industry and put responsibility where it belongs—on plastics producers—not volunteer cleanup crews, taxpayer-supported government agencies, and NGOs” (164).

Unfortunately, despite his indictment of the plastics industry, his rejection of solutions that blame consumers, and his critique of green organizations that ignore “the core issue: the ever-growing volume of plastic products and packaging across the world,” Moore stops short of suggesting a strategy for stopping the plastic plague (300). No one could expect him to provide a detailed roadmap, but his concluding chapter does not offer much more than a vague hope that people will demand change. He argues that “the science and technology that will liberate us from pollution and meaningless labor are available” (332) and predicts that a future generation will “unplug itself from the economy of constant input and output of junk” (334); but he does not address the critical question: How do we get there from here? Which battles can be won in the short term and which ones will require radical social change? What kinds of economic and social changes are needed? Above all, how can we build movements that are strong enough to overcome the power of the giant corporations whose profits depend on pollution? Moore’s failure to address such questions is not really surprising: many books on environmental problems are published, but few authors go beyond exposé to explain why, in Commoner’s words, “the present system of production is self-destructive; the present course of human civilization is suicidal.”<sup>4</sup> Even fewer authors take the giant step of proposing practical steps towards the ecological revolution that is clearly needed.

It is only a disappointment that *Plastic Ocean* does not take that step because most of the book seems to be leading towards a call for system change. Perhaps this is one more proof that in these times it is easier to imagine the end of the world than the end of capitalism. Whatever the reason, and despite that weakness, *Plastic Ocean* deserves a wide audience. It is a fine example of what used to be called “peoples’ science”—it is as dramatic as many novels, it is accessible to readers with no background in science, and it is an important contribution to broad awareness of the ever-growing conflict between our systems of production and the circle of life.

## Notes

1. Barry Commoner, *The Closing Circle* (New York: Alfred E. Knopf, 1971), 177.

2. *Ibid.*, 39.

3. *Ibid.*, 11-12.

4. *Ibid.*, 295.

# Unearthing Woody Guthrie's Lost Novel

Scott Borchert

Woody Guthrie (author), Douglas Brinkley and Johnny Depp (editors), *House of Earth* (New York: Harper Perennial, 2013), 288 pages, \$15.99, paperback.

In 1937 Woody Guthrie wrote a letter to his friend, the actor Eddie Albert, asking for a loan. He needed cash for a special project—around \$300 for building materials. Guthrie had lately become fixated on the idea of building an adobe house. He had just read U.S. Department of Agriculture Bulletin No. 1720, *The Use of Adobe or Sun-Dried Brick for Farm Building*, by T.A.H. Miller, and he was inspired. This pamphlet, a classic New Deal artifact, provided detailed instructions on how to build a sturdy, well-insulated adobe house of your very own. It cost Guthrie five cents. “They wrote that Adobe Brick book so dadgum interesting that you got to slack up every couple of pages to pull the mud and hay out from between your toes,” he raved (xxv).

The pamphlet was designed for people just like him—the rural poor whose flimsy wood shacks offered little protection from the vast dust storms then suffocating the Great Plains. Guthrie lived in Pampa, Texas, an oil boom town on the panhandle that saw the worst of the dust storms and was struck by a terrible blizzard of frozen mud that same year. It seemed as though an adobe house—relatively cheap, strong, warm in the winter and cool in the summer—was just the thing he needed.

It is not clear if Albert ever came through with the loan, but Guthrie never built the house. Instead, like so many others, he headed west for California and left the dust bowl behind him. The rest of Guthrie's story is well-known: how he became a rambling folk balladeer, an outspoken socialist and anti-fascist, and the inventor of his own legend.

Less known is the fact that Guthrie never got over those adobe houses. A decade after leaving Pampa he completed *House of Earth*, a novel that celebrates adobe and relates it to a broader vision of solidarity and struggle. The novel zeros in on a young married couple, Tike and Ella May Hamlin, who—although reduced from tenant farmers to sharecroppers—find hope in the same USDA pamphlet that Guthrie treasured ten years earlier.

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But like the adobe house that was never built, *House of Earth* was never published. In their introduction, Douglas Brinkley and Johnny Depp (who previously worked together on a Hunter S. Thompson project) offer some suggestions why. Guthrie mailed the manuscript to the filmmaker Irving Lerner, hoping he might turn *House of Earth* into a movie; they corresponded but nothing came of it. The manuscript slipped into obscurity and Guthrie was slowly overtaken by the Huntington's disease that confined him to hospitals and ultimately killed him.

Getting *House of Earth* published in the late 1940s would have been difficult or even impossible. The book begins with an extended, explicit sex scene and is imbued throughout with emphatically radical politics. (The two even combine, weirdly, in a few instances—the Hamlin's foreplay includes dialog about the need to fight landlords and is interrupted by the narrator denouncing "the system of slavery known as sharecropping" [30]). It is hard to imagine a book less suited to the repressed, McCarthyite decade ahead.

While the manuscript sat unnoticed in Lerner's archive, Guthrie's legend grew, and disciples like Pete Seeger and Bob Dylan became legends themselves. Only recently was the manuscript discovered and sent to the Guthrie collection at the University of Tulsa, eventually landing in the hands of Brinkley and Depp. They conclude that "the novel's intensity guarantees it a place in the ever-growing field of Guthrieana," indeed that it "reinforces Guthrie's place among the immortal figures of American letters." They even roll out Dylan himself, who "said he was 'surprised by the genius' of the engaging prose" (xliii).

Bold claims, all—and largely right. *House of Earth* is a showcase for Guthrie's absorbing prose style, an idiosyncratic blend of humor, sorrow, and righteous anger. There is little plot to speak of: Tike and Ella May talk, do chores, have sex once, Ella May has a baby, and that is pretty much it. So Guthrie's prose must carry the novel, and in moments when it falters—bogged down in abstraction or the rambling thoughts of a character—the thinness of the plot becomes apparent and the otherwise irresistible power of the novel wanes. But such moments are rare, and usually Guthrie creates a mesmerizing portrait of the land and this couple striving to live upon it, propelled by the dream that their rotting wood shack might be replaced by a sturdy house built up from the land itself—except that someone else owns the land, and "by the law of the land they could not lift a hand to build the place into that nicer one because the man that owned it did not care about all of this" (44).

Guthrie sets up this contradiction early and lets it fester; Tike and Ella May turn the thought over and over in their minds like the arid land they try to farm. Brinkley and Depp, though, steer us toward a clumsier reading of the novel: "wood is a metaphor for capitalist plunderers while adobe represents a



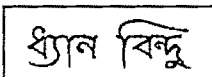
socialist utopia where tenant farmers own land" (xv). It is likely that Guthrie would have agreed with some aspect of this—maybe that adobe represents the security, material comfort, and ecological harmony that only socialism can deliver, that cheap wood shacks are all capitalism has to offer its wage slaves.

But *House of Earth* does not dwell on such an ungraceful metaphor. Instead, it contrasts the fact of Tike and Ella May's alienated labor with their deep feelings of interconnectedness with each other, the land, and the social totality. While in labor Ella May has a vision showing her that "the people are all born from one and they are really all one" (152); once the baby is born Tike hears "in his soul a hundred hammers ring" and "his own hammer ring on every other anvil in the whole world" (197). This is a kind of spiritual communism that Guthrie upholds against the "few people that work to hurt, to hold down, to deny, to take from, to cheat, the rest of us," the ones who profit from rented wooden shacks and enforce the social alienation necessary to the accumulation of capital, who deny the Hamlins their adobe house (152).

*House of Earth* meditates on alienation and unity; by the end it resembles something like a prose poem meandering through this theme. The voices in the novel vary but they are all Guthrie's, from the Steinbeckian narrator to the wise-cracking, nonsense-talking (and singing) Tike, to the more eloquent and philosophical Ella May. Every page, every sentence hums with Guthrie's presence—but this, the ubiquitous mark of its creator, is also the novel's strength. *House of Earth* is best appreciated as an expression of Guthrie's overall artistic vision, a new point in the constellation of his work that is now, suddenly and belatedly, illuminated. Along with his songs, poems, sketches, articles, and memoirs, *House of Earth* shares an aesthetic sensibility and a political impulse—the hillbilly poetics of an artist whose relentless opposition to capitalism was matched by his relentless optimism that it could be overcome, that his people would someday find a shelter from the storm. *House of Earth* puts us a little bit closer to that goal, perhaps, while revealing one more installment in a remarkable body of work that requires still more excavation.



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Commentary from

**Monthly Review**

March 2014, Vol. 65, No. 10

***An Independent Socialist Magazine Founded in 1949***

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**Harry Magdoff**, *Editor, 1969-2006*

**Ellen Meiksins Wood**, *Former Editor, 1997-2000*;

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This issue of *Monthly Review* is mainly devoted to two commemorations: for Paul Alexander Baran, who died fifty years ago this month; and for Hugo Rafael Chávez Frías, who died one year ago this month.

Paul A. Baran was the author of *The Political Economy of Growth* (1957) and, with Paul M. Sweezy, *Monopoly Capital* (1966). Baran's work on the roots of underdevelopment focused on the way in which the imperialist world system robbed countries of their actual and potential economic surplus, chaining them to conditions of dependency. He went on to explain how these chains could be broken and poor countries could develop through revolutionary change. In *Monopoly Capital*, Baran and Sweezy provided a powerful critique of accumulation in the capitalist core in the twentieth century. We are publishing for the first time in this issue a talk by Herbert Marcuse on Baran, given at Stanford on the second anniversary of Baran's death, as well as an article by Baran's son, Nicholas Baran, incorporating previously unpublished letters from the Baran-Sweezy correspondence. In addition, we are posting on the MR website in commemoration of Baran the never before published Baran-Marcuse Correspondence.

Hugo Chávez, president of Venezuela from 1999 until his death in March 2013, provided the crucial inspiration for the Bolivarian Revolution in Venezuela. Chávez created a new vernacular of revolution linked historically to Latin America's Bolivarian tradition (marked by Bolívar's famous statement that "equality is the law of laws"). Among Chávez's most important formulations was "the elementary triangle of socialism," in which socialism was seen as consisting of: (1) social ownership of the means of production; (2) social production organized by workers; and (3) satisfaction of communal needs. In this issue Michael Lebowitz tells the story of how Chávez developed and courageously attempted to implement this crucial conception (based on the ideas of István Mészáros and through the intervention of Lebowitz himself).

This stands as an inspiring example of the dialectical unfolding of revolutionary theory and practice in our time.



For more than four decades, beginning with Horace B. Davis's *Marxism and Nationalism* (1967), *MR* has argued that the repeated claims, even by some Marxists, that Marx saw economic and social development in unilinear, Eurocentric terms, conceiving of colonialism and imperialism as positive forces, were wrong—especially when judged in terms of Marx's mature writings (including *Capital*) from the late 1850s on. Marx was deeply affected by the Sepoy Rebellion in India in 1857–1858 and the Second Opium War (1856–1860) directed by the European powers against China, along with the struggles during this same period for Irish independence. Hence, from the late 1850s on, he became increasingly critical of colonialism and imperialism and a strong supporter of national liberation and indigenous struggles around the world. This was amplified by his intense studies into noncapitalist social formations on every continent, continuing right up until his death in 1883. Two landmark articles providing extensive evidence of this were published in *MR* in the 1970s and '80s: "Marx and 'Underdevelopment'" (*MR*, April 1979) by the Japanese Marxist Kenzo Mohri of the Institute of Social Science, University of Tokyo; and "Marx on India" (*MR*, January 1984) by Indian Marxist Sunti Kumar Ghosh, former editor of *Liberation*, the central organ of the Communist Party of India (Marxist-Leninist). (See also John Bellamy Foster, "Marx and Internationalism," *Monthly Review*, July–August 2000.) Another major contribution to this line of analysis was published by Monthly Review Press in 1983 in the form of *Late Marx and the 'Russian Road': Marx and the Peripheries of Capitalism*, edited by Teodor Shanin. A similar understanding of Marx's approach to imperialism was evident in Samir Amin's important work *Eurocentrism* (Monthly Review Press in 1989; second edition 2009). Indeed, it would be safe to say that the interpretation of Marx as anti-colonialist from the late 1850s on has been the dominant interpretation of his work for many years in the three continents of the third world.

It is with this background in mind that we read with interest the recent book by Kevin B. Anderson, *Marx at the Margins* (University of Chicago Press, 2010)—now widely seen as having definitively disproved the "conventional" myth that Marx advanced a unilinear view of historical development that was strongly supportive of colonialism/imperialism. Although mentioning Shanin's *Late Marx* in his book, Anderson regrettably refrains from referring to the prior contributions of thinkers such as Davis, Mohri, Ghosh, and Amin (nor does he reference other key thinkers who advanced similar interpretations that preceded his own, such as Umberto Melotti in *Marx and the Third World* [1977]). Nevertheless, Anderson's book has the merit of marshaling the evidence in a highly comprehensive and scholarly way, thereby putting the final nail in the coffin of the myth of Marx's Eurocentrism. Adding to this sense of irrefutable critique,

## COMMENTARY

Anderson was able to draw at certain points in his argument, particularly in his chapter 6 on Marx's later writings, from still unpublished materials that are part of the MEGA (Marx-Engels *Gesamtausgabe*) project. *Marx at the Margins* has the further virtue of including a valuable treatment of how Marx incorporated race and gender into his critical analysis, demonstrating that Marx's theoretical framework had a multilayered socio-economic and cultural basis.

*Capitalism, Nature, Socialism* is celebrating its twenty-fifth anniversary in its January 2014 issue. *CNS* was started in 1988, with *MR* author James O'Connor and Barbara Laurence as founding editors. The current editor is Salvatore Engel-Di Mauro. We would like to congratulate all of those involved in this important journal for the crucial contributions that it has made to ecology and socialism over the past quarter-century.

*MR* receives considerable correspondence from readers, which we very much appreciate, despite continuing difficulties in keeping up with all the letters, given our limited resources. Here are a few important and encouraging communications that we have received recently:

Joe Roberts—a long-time friend of the magazine in Canada, where he taught political science for many years at Regina College (affiliated with the University of Saskatchewan)—wrote in December that “*Monthly Review* (and the library of publications [from Monthly Review Press] from I.F. Stone’s *Hidden History* onward) was the most continuous text I used throughout my career (and still promote as often as possible). I read it as my post-graduate source of sanity. And I know from friends, students and family across Canada and the United States that *MR* continues to be a primary source of contemporary and historical knowledge and judgment in the world of our time. Thank you all.” Joe adds that in his view *MR* is “the finest intelligence I’m familiar with for navigating today’s world.” More specifically, he congratulates *MR* in recent years for having deepened “what Paul and Harry began to identify as capitalism’s dynamic impact on the environment,” conclusively demonstrating that “what had been two separate realms for me were married as aspects of a single problem—uncontrolled expansion/accumulation.”

Another reader, Jean H. Sloan, wrote to us in November of the enormous challenges facing humanity generally, and the working class specifically, and concluded: “The need is urgent for the education of the working class, and time is limited. I can only applaud the excellent work *Monthly Review* is doing in that regard.”

Jim Walters in Iowa informed us in December that he had published a guest opinion for his daily newspaper, the *Iowa City Press-Citizen*, in response to a column in the paper written by Republican ex-Congressman Jim Leach. (Leach was coauthor of the 1999 Gramm-Leach-Bliley Act repealing

the New Deal's Glass-Steagall Act of 1933, which had put restraints on financial capital.) In a remarkable op-ed contribution, "Leach Hardly the Best Spokesman for What Ails Politics," appearing in the *Press-Citizen* on November 25, 2013, Walters rebutted Leach's austerity views, pointing instead to the argument on secular stagnation now put forward by Paul Krugman and others—and emphasizing that the stagnation tendency had been long documented at a deeper level on the left "mostly in the pages of small journals like *Monthly Review*."

For as long as anyone can remember, Pete Seeger, who died last January 27, aged ninety-four, had been a subscriber and careful reader of *Monthly Review*. Pete often corresponded with the editors with unflinching enthusiasm about what he liked and, occasionally disliked, in these pages. His comments and suggestions were always insightful, useful, and infused with warmth and devotion.

Pete even wrote for *MR*. In July–August 2002, he reviewed Doris Haddock's *Granny D: Walking Across America in My 90th Year*, which we titled "A Remarkable Journey." In January 2005, he and interviewer Linda Forbes discussed social movements in these pages under the headline "Possibility and Hope: Getting from Here to There." Pete was not given to facile enthusiasms. He understood just how difficult was the pursuit of social justice and socialism, to which he had lifelong commitments. Nonetheless, he served his revolutionary vision with extraordinary energy. *MR* will sorely miss Pete Seeger. We plan a major collective portrait and appreciation to be published later this year.

**Correction:** On page five of Bob McChesney's "Sharp Left Turn for the Media Reform Movement" in the February 2014 *AMR*, it should have stated that Kshama Sawant was elected to the Seattle City Council in 2013 (not 2012).

### New 'Update Publications' Book

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bank themselves from public criticism in the name of corporate debt restructuring (CDR), mostly with retrospective effect, ignoring its impracticability and risk factors in many cases. CDR is often misused to temporarily window-dress balance sheets by both banks and loan defaulters. According to a Ficci report banks have cumulatively recast loans to the tune of Rs 2.5 trillion under the CDR exercise, mostly during the last few months. Last year, banks had restructured loans worth Rs 75,000 crore, almost double the 2011-2012 figure. (The great bank robbery, 2 December 2013, Nantoo Banerjee, <http://www.millenniumpost.in/NewsContent.aspx?NID=45497>)

But this robbery does not only end here, but is accompanied by a massive increase in the failure of the big corporates to pay assessed taxes. In a written reply to the Lok Sabha, minister of state for finance J D Seelam said that no separate data of outstanding demand from big corporates, as a separate category or class, is maintained.—"However, the amount of total corporate tax demand outstanding, as on December 31, 2013, is Rs 2,46,416 crore," he said, adding that "there are 45 corporates cases where direct tax demand above Rs 500 crore is outstanding".

In the list of the top corporate debt defaulters we notice a number of relatively recent corporate promotions from the financial boom days of the

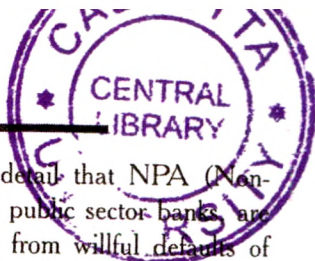


Manmohan-Chidambaram regime. We are confident that the list of miscreant corporate tax defaulters will sparkle with the names of that same crop of "innovative" and "entrepreneurial" swindlers. The entire "reform" period, but especially the past seven years, has seen the looting of the wealth that belonged to the entire nation and accumulated in public corporations and public sector banks, to the benefit of a narrow handful of corporate thieves working closely with the highest authorities of the land. When the Union Government has become the source of overnight private fortunes of immense proportions, it should be no surprise that the current election festival is awash in money as the newly enriched class of "free market" swindlers bid to become the beneficiaries of the next round of thefts and scams.

Attempts to estimate the amount of money being poured out in this "democratic" competition seem to agree that the total to be expected will be well in excess of Rs 30,000 crores. Since it is agreed that the maximum of electoral expenses legal under existing statutes cannot exceed Rs 10,000 crores as an absolute maximum, the great majority of the funds are black money. The Association for Democratic Reforms (<http://adrindia.org/research-and-report/political-party-watch/combined-reports/2014/corporates-made-87-total-donations-n>) reports that on the legally required disclosure side, in the first stages of this election campaign the BJP received the maximum donations of Rs 192.47 crores from 1334 donors from corporate/ business sector followed by INC receiving a total contribution of Rs 172.25 crores from 418 donors from corporate/business sector. But the same authority estimates that 75% of the sources of funding of political parties is "unknown". Even the chief election commissioner V.S. Sampath has said that he was worried about "money power"- heavy spending and the use of illegal funds to influence the outcome. Let us draw the conclusion that screams from what all observers agree is a deluge of black money that is overwhelming this election: at least 80% of the next Lok Sabha will, from the moment of their election, be criminals.

We have completed the move into a new phase of political electoral development characterised by the endless din of a venal and corrupted media and an unabashed "free market" in the purchase of votes. What Samir Amin has termed the "democratic fraud" ([monthlyreview.org/2011/10/01/the-democratic-fraud-and-the-universalist-alternative](http://monthlyreview.org/2011/10/01/the-democratic-fraud-and-the-universalist-alternative)) is now fully exposed to any honest observer. We can only urge that those overcome with disgust at this spectacle turn from this fraud of "democratic" politics to *real* political work, organising the workers and the poor, and to resistance.

*continued from inside front cover*



great surprise, it has been revealed in some detail that NPA (Non-performing Assets) of the banks, especially the public sector banks, are building towards alarming proportions, largely from willful defaults of recently promoted "innovative" corporations. NPA is not a new phenomenon, but it reached even the business press when the deputy governor of RBI, Dr Chakrabarty said, in an ASSOCAM meet in November 2012, that "[t]he corporate sector is responsible for a major part of the rising bad loans causing inconvenience to honest borrowers... NPA is a creation of the corporate sector... You borrow from banks and you do not repay them in time." While the political parties are demanding for the list of account holders in Swiss banks, none had demanded the list of corporate defaulters in India. It has been called "the most closely guarded secret in Indian banking", hidden behind the convenient banking secrecy laws. This despite the authoritative estimate that some Rs 1.5 lakh crores owed by defaulters have been writing off over the last seven years.

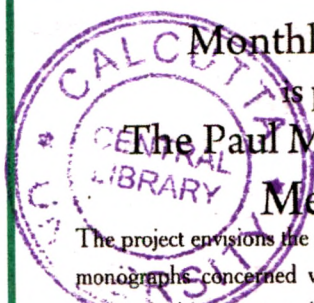
On 4 December, 2013, the All India Bank Employees Association performed an act of civic courage and public spirit, and publicized the names of some 3500 willful defaulters above Rs 1 crore, obtained from a list prepared by, and circulated among, banks. Topping the AIBEAL list is Kingfisher Airlines at Rs 2,673 crore. Other exceeding Rs 1,500 crore include Winsome Diamond & Jewelry, Electrotherm India, Zoom Developers, Sterling Biotech, and S Kumars Nationwide, followed by Orchid Chemicals, Zylog Systems, Deccan Chronicle Holding, KS Oils, ICSA, Moser Baer India, HDIL etc.

RBI deputy governor Chakrabarty's frustration over the wild increase in bank NPAs goes further in detailing the extent of the rot. At a recent bankers' meet, he dared to compare Chidambaram's farm loan waiver political gimmick for the 2008 Lok Sabha polls, much criticised at the time by big industries and their apex bodies, with the vastly larger sacrifice of over Rs 1,00,000 crore by writing off 'bad loans' to corporates. These huge amounts result in only figurative finger-wagging by the authorities, while the corporate thieves walk off with their crores from the Public Sector Banks. As a sensible commentator has written:

Why aren't the government and RBI naming the defaulters and attaching all their assets along with their credit guarantors'? Bad loans are being recast like never before to save large corporate defaulters and

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# Analytical MONTHLY REVIEW

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South  
Africa

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A Practical Solution**  
GREGG SHOTWELL



United  
States



Spain

**Economic Crisis & the  
Reproductive Commons**  
SANDRA EZQUERRA

lie J. Girdner on Greg Muttitt's *Fuel on the Fire: Oil and Politics in Occupied Iraq*



# ANALYTICAL MONTHLY REVIEW

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## **Editorial**

As of the date of writing, mid-April 2014, in the last few days the mass media suddenly have begun to notice that the Lok Sabha elections are drowning in vast illegal expenditures. Why now? Perhaps desperation on the part of the Congress leadership, seeing no risk in further proof of their own corruption if only the equal—or perhaps they will claim greater—corruption of the BJP be established. Suddenly there are even reports in the mass media of the notorious but previously unmentionable fact that the Election Commission has never disqualified a candidate for even the most egregious and admitted illegal spending, and just perhaps might consider doing so. This development was not predictable, and surely should be welcomed. Not in the unreasonable hope of any significant change in the ownership of parliamentary politics by the ruling class and its U.S. backers, but as a step towards the cremation of the ideological corpse of neoliberal "democracy".

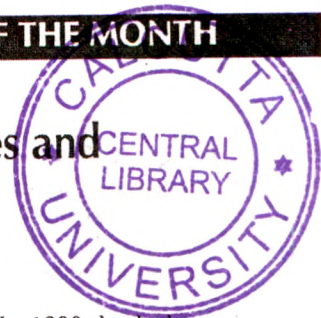
The core facts at issue were set out by our comrades at RUPE, with their accustomed intellectual elegance, in a blog post at <http://rupeindia.wordpress.com> in mid-March. We take the liberty of reproducing it here on page 62



Nirmal Kumar Chandra (Nirmada) is no more among us from 19th March, 2014. From the beginning of publishing Indian edition of Monthly Review, his continuous encouragement worked as catalyst for us. We will miss him deeply.

# South Africa's Resource Curses and Growing Social Resistance

Patrick Bond



The African National Congress (ANC), led during the 1990s by the late Nelson Mandela, is projected to be reelected in South Africa's May 7, 2014 national election by a wide margin, probably with between 50 and 60 percent of the vote. But underneath the ruling party's apparent popularity, the society is seething with fury, partly at the mismanagement of vast mineral wealth. The political and economic rulers' increasingly venal policies and practices are so bad that not only did ANC elites play a direct role in massacring striking mineworkers in August 2012, but corporate South Africa was soon rated by PriceWaterhouseCoopers as "world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation and cybercrime," with internal management responsible for more than three quarters of what was termed "mind-boggling" levels of theft.<sup>1</sup>

With such degeneration from above, the country's impotent socialist left was pleasantly surprised last December when the largest union in Africa, the 342,000-strong National Union of Metalworkers of South Africa ("Numsa") split away from the ANC. Numsa pledged to organize mineworkers and any other disgruntled workers, and steadily to reconstruct a new South African left from below, including radical social movements once derided as "ultraleft" (because from the early 2000s they had already broken with the ANC). The "Numsa Moment"—which I think can be contrasted to some local trade unionists' "Lula Moment" advocacy, akin to Brazilian labor corporatism—is of enormous importance, especially if it leads to a "united front approach" and the "movement towards socialism" as promised in Numsa's "Breaking New Ground" congress of 1,300 shop stewards, just a week after Mandela's death.<sup>2</sup> However, up against such a strong and prestigious national liberation movement, whose most famous leader stayed in the ANC until the end of his

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PATRICK BOND teaches at University of KwaZulu-Natal in Durban, where he directs the Centre for Civil Society. His latest book, with John S. Saul, is *South Africa—Present as History* and soon to be published is a third edition of his *Elite Transition: From Apartheid to Neoliberalism in South Africa*. This paper was presented to the Gyeongsang National University Institute for Social Science, supported by the National Research Foundation of Korea Grant funded by the Korean Government (NRF-2013S1A5B8A01055117).



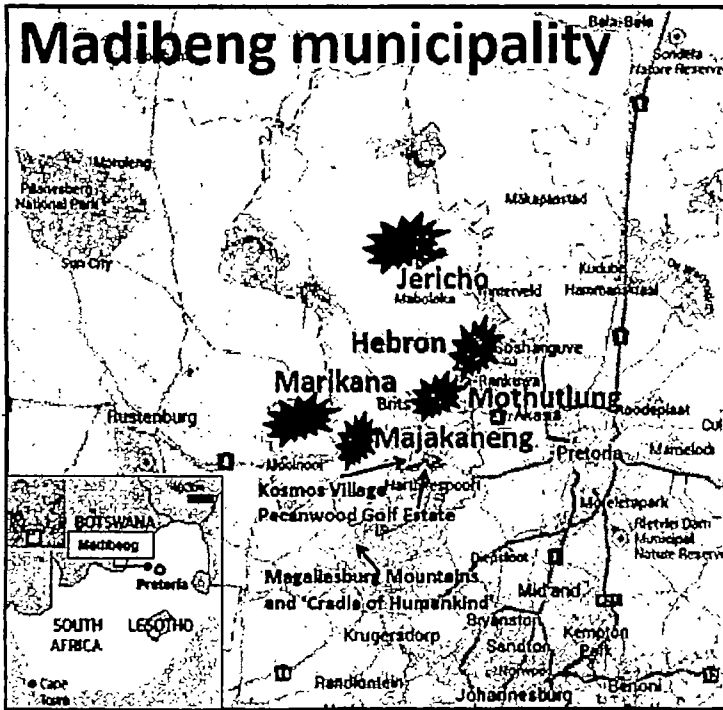
life, Numsa and its new allies are not yet contesting power in the next election. They must work hard on local alliance-building, and the underlying socioeconomic conditions must continue to deteriorate, if Numsa is to rekindle the confidence of older revolutionaries and create a new generation of activists.

But that is exactly what is happening, twenty years after the country's first democratic election on April 27, 1994. As 2014 began, state murder of activists occurred periodically, nine at the time of writing in late February. One incident of police brutality in a northern citrus zone drew a crowd of 2,000 angry residents to demonstrate at a police station in early February. They torched the building, leaving three officers in critical condition—while a hail of live police ammunition left two protesters dead. East of the capital Pretoria, a similar protest included a copycat burn of a police station in the wake of electricity disconnections. In East London, a port city of 750,000, municipal workers stormed city hall in early February, petrol bombing a council chamber. Similar eruptions were felt in townships across the country but in 2014, the intensity seemed to increase. Expectations were that 2014 would beat the prior year's record: a daily average of five "violent protests" recorded by police, usually met with extreme force.

### **Mining Wealth and Worker Poverty**

The country's most tense place was probably the large rural mining district just west of Pretoria, where everything seemed to fall apart at once: Madibeng, home to half a million people. Its name in the local Setswana language, "place of water," was chosen as a result of four major dams built during the apartheid era to service local white farmers and mining houses. One of the thirstiest—and angriest—sites within Madibeng is the township of Hebron, where community protests exploded in January because household water was disconnected for weeks at a time, although it is only 30 kilometers (18.6 miles) northwest from President Jacob Zuma's main Union Buildings office. About 10 kilometers further west is Mothutlung, site of intense demonstrations where police responded by shooting four people dead. Due west another 30 kilometers is Majakaneng, where water protests in February compelled the provincial governor to not only drill new boreholes and take over municipal administration, but—tellingly—redirect water from a large mine to the community. About 60 kilometers north is Jericho, also without water for weeks, also engulfed in violent protest. If instead you travel 20 kilometers west, you arrive at Marikana, Africa's most notorious dig, where thirty-four striking platinum mineworkers were massacred by police gunfire on August 16, 2012.

This area could, under different local and national state management, become one of Africa's most prosperous. At least 80 percent of the earth's known platinum reserves are in South Africa, starting in an arc that cuts



through Madibeng, where 1.1 million ounces were extracted in 2007 at the peak of the minerals boom. The municipal website brags that “some of the world’s richest platinum deposits and the largest chromate reserves are found in Madibeng. Other mining products include ferrochrome, stone and granite quarries, silica sand and vanadium pentoxide.”<sup>3</sup> In 2011, the nine main mining firms operating mainly in this region recorded \$4.5 billion in profits. There are also wealthy plantations, the website continues: “Due to the available water resources, pleasant climate and fertile soil types, the area is suitable for producing a variety of agricultural products which include, inter alia, vegetables, fruits, flowers, field crops, poultry, beef and dairy.” White-owned agribusinesses enjoy excellent facilities developed over more than a century and a half, including irrigation. Copious watering also greens the Pecanwood Golf Estate, a Jack Nicklaus signature course on the Hartheespoort Dam, just across the water from some of the country’s richest neighborhoods. For example, Kosmos Village is a “gated community” whose service workers live in a shack settlement a short stone’s throw away, in one of



South Africa's most extreme back-to-back wealth/poverty sites.

There are probably a million such shacks within a 200 kilometer radius of this mining ridge, the Witwatersrand. They first sprung up after 1884 when gold was found in Johannesburg, a city still today at the core of Africa's main industrial megalopolis. But most shacks in this megalopolis of 10 million residents were constructed after the 1986 demise of Apartheid's Pass Laws and the 1991 cancellation of the segregationist Group Areas Act. Faster rural-urban migration resulted, but the vast majority of shack-building occurred on land without formal water, sanitation, and electricity systems. So defecation is common in unserviced latrines or even in the bare veld. Especially after rains, therefore, the excrement run-off into the Crocodile, Jukskei, and Hennops Rivers which feed Hartbeespoort Dam causes dangerous surges in *E.coli* counts. By 2010, these reached such high levels that the country's main elite department store warned it would cease purchasing agricultural produce from fertile Madibeng farms irrigated from the dam's extensive canal system.

Hartbeespoort Dam, famous for water sports, now often stinks. This is due to excessive toxic algae, cyanobacteria, and water hyacinth that destroy both the water's health and the site's immediate aesthetic value. The color of the water is often an eerie-looking bright green. Yet from afar, the smell and poison are invisible; a pristine view of the dam is witnessed from dozens of Magaliesberg Mountain resorts. Each weekend the mansions and game reserves south of the dam still host fancy weddings for (mainly still white) wealthy couples from Johannesburg and Pretoria. The Magaliesberg Mountains also host the Cradle of Humankind World Heritage Site, where the best-kept skull of *Australopithecus africanus*—humankind's common ancestor, approximately 2.1 million years old—was nicknamed Mrs. Ples. During a 1950s construction boom, the skull was found when cement companies dug for lime, where these bones were well-preserved.

On the other side of the Hartbeespoort Dam wall, the Crocodile River flowing downhill quickly becomes re-polluted thanks to mining leachate, agricultural pesticide and fertilizer run-off, plus untreated human waste from the shack settlements. For example, near the Barplats Crocodile River Mine, not far from Madibeng's municipal headquarters in the small city of Brits, the river's stench became overwhelming in late 2012. "We convened a meeting with the Madibeng municipality, the Crocodile River mine and the Water Affairs Department at the canal to demonstrate the seriousness of the situation," said Hartbeespoort Irrigation Board member Nic Fourie. "Of course a lot of promises were made by all of the role players but nothing has been done." Rebutted mine spokeswoman Zelda le Roux, "The informal settlement is situated on land owned by Mr J. Goosen. Barplats does not promote informal tenure practices. Tenants of this settlement are employed by various farmers, contractors and businesses around the area."<sup>4</sup>

Still unresolved today, this particular local dispute reveals how municipal

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planning in Madibeng utterly fails to incorporate the longer-term interests of the area's elites, whether in mining, agribusiness, or the service sector. These firms need—and get—extremely cheap labor. But in their relentless strategy to lower wage levels, they *soil their own nest*. They remain unwilling to finance the social and ecological infrastructure that will ensure their sustained profitability. Class reproduction itself thus comes into question, and in January the increasingly violent Madibeng uprisings finally required a visit from national water minister Edna Molewa—ironically, herself a Madibeng resident of a rich suburb near Hartbeespoort—and she instructed that national authorities do municipal pipe and pump repairs.

The social and ecological contradictions in this part of South Africa are as extreme as any in the world. Yet Madibeng's elites had many opportunities to share the municipality's wealth over the last two decades. One way would have been through imposing a high price for high-volume water consumption, sufficient to provide basic-needs services to the poorest residents as well as to improve pipe and pumping maintenance, and to expand the water grid as the area's minerals were dug up, and as tens of thousands of new jobs were created on Madibeng mines during the 2000s commodity super-cycle boom. Instead, there were multiple sociopolitical explosions in January, culminating in the massive strike of platinum mineworkers.

Then in Mothutlung on January 13, what began as a peaceful protest against the lack of water for thousands of households due to a failed pump attracted some of the same police commanders and shooters who had massacred Marikana mineworkers seventeen months earlier. They killed four people using shotgun ammunition that had supposedly been banned eight years earlier. One victim was a sixty-five-year-old freelance photographer. Furious, residents across Madibeng engaged in water protests the following week, starting in nearby Hebron and then up in Jericho, where municipal water had not been provided in months.

Fixing these problems is made harder because more than 340 Madibeng municipal bureaucrats were found, in just one investigation, to be illegally running businesses which had dealings with government between 2005–2010.<sup>5</sup> This problem is scornfully termed “tenderpreneurship,” meaning the granting, via a corrupting tender process, of small contracts to fledgling African entrepreneurs. That ploy was devised by the ruling party and big business during the late 1990s as their profit-friendly strategy for deracializing Apartheid. “Public-private partnerships” in pilfering are well advanced in Madibeng and it was widely reported that the pump breakdown in Mothutlung was a result of sabotage by a private contractor who wanted the job of fixing the same facility.

With this extent of degeneracy, it was no surprise that class struggle burst into the open regularly. In early 2012 the largest of the three huge platinum firms, Implats, suffered a debilitating strike and in early 2013, the second

largest, Anglo American Platinum, announced the closure of shafts and the firing of 13,000 workers, though it retracted the most extreme threats and only a few thousand were laid-off. In late January this year, the three largest platinum firms were struck by 80,000 members of the Association of Mineworkers and Construction Union, whose workers insisted on a 100 percent wage increase with a minimum of \$1,160 per month. Most mining houses offered a raise rate one-twelfth as high and as a minimum salary, just 40 percent of what was demanded. By the time this article went to press in late February, the mine owners held firm with an offer below 9 percent (with inflation for low-income people running at 7 percent).

The workers were desperate, as their salaries were being docked regularly by a usurious "garnishee" (salary stop-order) system put in place by ubiquitous microfinance creditors and their lawyers. These were mostly the same white male Afrikaners who in earlier generations simply occupied state bureaucracy to oppress black workers. Today the financial and legal system reproduces the same class-race power. This household-scale debt crisis affects more than 13 percent of all mineworkers across South Africa and 9 percent of the general workforce. Fully half the country's borrowers have become formally "credit impaired," having missed debt repayments. If you wander the main street of Marikana, more than a dozen "pay-day lender" and "mashonisa" microfinance offices dominate a hodge-podge of low-level consumer-goods outlets.<sup>6</sup>

Continue a kilometer to the east and you soon stumble across the infamous "mountain"—a rocky hillock known as a "kopje"—where mineworkers gathered prior to the massacre. Close by is a shack settlement, Nkaneng, which in the Sotho and Xhosa languages means "taking away something by force." Nkaneng's tin shacks are graced by no apparent state services and only a few trivial Corporate Social Responsibility (CSR) projects. Migrant labor prevails, replicating many of the harshest aspects of apartheid's underlying political economy. And this within spitting distance of one of the world's richest mineral deposits and of mines belonging to the three largest platinum mining houses: AngloPlats, Implats and Lonmin. The World Bank even judged Lonmin to be one of the greatest success stories of CSR outsourced-investment, and its International Finance Corporation subsidiary authorized a \$150 million investment to support Lonmin CSR in Marikana in 2007, with allegedly "best case" practices ranging from economic development to racially progressive procurement and community involvement to gender work relations. These proved farcical.<sup>7</sup>

Lonmin also justified mining on stolen land by ignoring the long historic context of pre-1913 land dispossession. It downplayed the relegation of the platinum-rich area just west of Marikana to "Bantustan" status: it was known as the tyrannical "Bophuthatswana" dictatorship from 1961 until 1994. Another important and related bit of historical context, ignored in all World Bank literature promoting Lonmin, is the company's roots—from 1909 until

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1999—as “Lonrho,” the London and Rhodesian Mining and Land Company Limited. Lonrho gained a very poor reputation for its role in Africa, especially in the years 1962–1993 when it was managed by Tiny Rowland. As journalist Brian Cloughly explained, Britain’s then-prime minister Edward Heath called Lonrho “the unpleasant and unacceptable face of capitalism. The description was fitting because Rowland was a perambulating piece of filth who had indulged in bribery, tax-dodging, and the general range of ingenious whizz-kid schemes designed to make viciously unscrupulous people rich and keep them that way.”<sup>8</sup>

On August 16, 2012, Marikana was the site of a premeditated massacre, as became clear during testimony to the state-appointed Farlam Commission. Led by former senior judge Ian Farlam, the Commission learned that members of the South African Police Service planted evidence (putting weapons on the bodies of corpses to pretend the killing was in self-defense), hid crucial video records, laughed heartily at the scene, and indeed had earlier planned much of the massacre.<sup>9</sup> The intensity of police involvement can partly be traced to two of their members’ deaths at the alleged hands (and knives) of mineworkers a few days before, but also to the urgent requests for help made to the police minister by the main South African owner of Lonmin. Reflecting his inordinate influence, that man—whose Shanduka corporation held 9 percent of the shares—was soon elected the ANC deputy president at a December 2012 party convention: Cyril Ramaphosa.

### ANC Crony Capitalism

Ramaphosa was himself once a militant mineworker leader (he led a pathbreaking 1987 industry-wide strike) and early-1990s ANC secretary general, as well as the main drafter of the 1996 South African Constitution. But having accumulated more than \$1 billion in personal wealth over the subsequent sixteen years in business, his August 15, 2012 emails were extremely incriminating. He declared Lonmin’s labor dispute “dastardly criminal” and called in his allies in government, including the police and mining ministers. A day later, mass murder ensued.

Ramaphosa is quite a complicated character, and there are bitter-end liberal supporters of the ANC who believe he will revive the ruling party. For example, influential commentator and University of Cape Town law professor Richard Calland calls Ramaphosa “a moderate, one-nation leader comfortable in his own skin, and with such an extraordinary curriculum vitae, supremely talented,” a man trying “to rebuild the center ground within the ANC, the ‘sensible left.’” Optimistically, Calland wills that Ramaphosa’s “now-extensive knowledge of the corporate boardrooms of South Africa is deployed to put real pressure on big business, to ensure that it plays its part in creating jobs and being open to the changes necessary to build a labor-intensive, low-carbon economy that is fit for global competitive purpose and, moreover, that treats its workers fairly and decently.”<sup>10</sup>

Such Ramaphosa-boosterism, especially common in the business press, requires overlooking contrary career evidence since 1994. "Put real pressure on big business"? From the outset, Ramaphosa ran a Constitution-making process whose Bill of Rights uniquely granted mega-corporations—termed "juristic persons"—the same human rights we mortals enjoy; this means profits trump public interest.<sup>11</sup> Next, Ramaphosa publicly advocated the relaxation of exchange controls, a policy which contributed to South Africa becoming the world's most risky emerging market by the time of the 2008–2009 crash, according to *The Economist*.<sup>12</sup> Vast sums of rich white people's loot, not to mention the financial headquarters of South Africa's largest companies, soon vanished offshore. In 2007, the capital flight reached a previously unscaled height of 23 percent of GDP.<sup>13</sup> This is one reason the foreign debt at nearly \$150 billion is now six times larger than in 1994, which puts far more "real pressure" on the social democratic project than on big business.

A "labor-intensive economy" that "treats its workers fairly"? As National Development Plan deputy chair, Ramaphosa's advocacy of at least \$100 billion worth of new infrastructure leans heavily towards subsidizing more capital-intensive mining and transport investments. Much of this will be privatized, such as the largest component of a proposed \$25 billion port-petrochemical complex in Durban at the site of Africa's largest harbor, a project strongly opposed by local community activists.<sup>14</sup> As for treating workers fairly, Marikana unveiled the real Ramaphosa under stress.

A "low-carbon economy"? In another case of collusion, in November 2012 an investigative team from the *Mail & Guardian* quoted a respected government source revealing how Molewa feared she would lose her job as water minister in the event Ramaphosa was prosecuted for operating high-carbon coal mines without a water license. Molewa apparently arranged an out-of-court settlement which, experts fear, will hasten the degradation of the critical catchments feeding agriculture, communities, the world-famous Kruger Park and then Mozambique when rivers cross the border.<sup>15</sup>

Throughout, Ramaphosa's own dubious wealth accumulation was linked to the economic destruction of two major black-owned businesses (Sam Molohe Bakery and Johnnic) and then to a \$1 billion personal fortune made mainly via his firm Shanduka, spreading right across the South African economy: heavy manufacturing (Macsteel and Scaw Metals), mining (Lonmin, Kangra Coal, Lace Diamonds, Pan African Resources), finance (Standard Bank, Alexander Forbes, Investment Solutions, and Liberty Group), junk food (McDonald's and Coca-Cola), and transport (Bidvest). Ramaphosa also held the chairs of the Mondi paper group and MTN cellphones, and was on the board of SABMiller beer (the world's second-largest brewery today), which he formerly chaired. He rejoined ANC leadership as the party's second-in-command in December 2012, thus setting himself up to be South Africa's deputy president after the 2014 elections.

(As a result, he gradually put some shareholdings in blind-trust and divested others to avoid obvious conflict of interest charges.)

But the most critical inflection point was the way Ramaphosa brought in the police to serve white-dominated multinational capital by killing dozens of black workers so as to end a brief strike. Beyond just the obvious human-rights and labor-relations travesties, the incident offered the potential for a deep political rethink, unveiling the extreme depths of ruling-class desperation represented by the fusion of Ramaphosa's black capitalism, Lonmin's collaboration (through Ramaphosa) with the mining and police ministers, the brutality of state prosecutors who charged the victims with the crime, the alleged "sweetheart unionism" of the increasingly unpopular National Union of Mineworkers (NUM), and the fragility of a Congress of South African Trade Unions (Cosatu) split between Zuma/Ramaphosa loyalists and those with worker interests at heart led by NUMsa. (That split was already well underway in 2012, in part because the 2007 ouster of Thabo Mbeki as president of the ANC was led by labor and communists partly on grounds that Mbeki's neoliberalism had far too generously rewarded white business interests.)

One of Ramaphosa's emails on August 15 reflected the power relations that Lonmin gained in its association with the former mineworker leader: "The terrible events that have unfolded cannot be described as a labor dispute. They are plainly dastardly criminal and must be characterized as such. There needs to be concomitant action to address this situation." Ramaphosa wrote to Lonmin's Albert Jamieson: "You are absolutely correct in insisting that the Minister, and indeed all government officials, need to understand that we are essentially dealing with a criminal act. I have said as much to the Minister of Safety and Security. I will stress that Minister [Susan] Shabangu should have a discussion with Roger [Phillimore, Lonmin chairman]."<sup>16</sup> Revealing these emails, the lawyer for the 270 arrested mineworkers, Dali Mpofu, explained to the Farlam Commission,

It's a long line of emails under, in the same vein, effectively encouraging so-called concomitant action to deal with these criminals, whose only crime was that they were seeking a wage increase.... At the heart of this was the toxic collusion between the SA Police Services and Lonmin at a direct level. At a much broader level it can be called a collusion between the State and capital and that this phenomenon is at the centre of what has occurred here.

This collusion between state and capital has happened in many instances in this country's history [including]...a massive strike by the white mineworkers in 1922, which was dealt with by the Smuts government by bringing in the air force, and about 200 people were killed. In 1946, under the leadership of the African Mineworkers Union, 70,000 African workers also went on a massive strike and the government sent 16,000 policemen and arrested, like they did to the people we

represent, some of the miners under an act called the War Measures Act.

So this has happened, this collusion between capital and the State has happened in systematic patterns in the history of, sordid history of the mining industry in this country. Part of that history included the collaboration of so-called tribal chiefs who were corrupt and were used by those oppressive governments to turn the self-sufficient black African farmers into slave labor workers. Today we have a situation where those chiefs have been replaced by so-called BEE partners of these mines and carrying on that torch of collusion.<sup>17</sup>

Ramaphosa's collaboration with white elites was also reflected in his attempt a few months earlier to purchase a prize buffalo at a game auction for \$2.3 million. The cozy relations epitomized by Ramaphosa-Lonmin incensed the mineworkers, raising their staying power to such high levels. For example, Lonmin's successful public relations onslaught and tight connections to the ruling party probably gave its executives confidence that longstanding abuse of low-paid migrant labor could continue—with NUM itself having become so co-opted that shop stewards were reportedly paid three times more than ordinary workers. NUM general secretary Frans Baleni earned \$160,000 per year at that stage, and gained notoriety when he had advised Lonmin to fire 9,000 of the same Marikana mineworkers at its Karee mine in late 2011 because they went on a wildcat strike. Of the fired workers, 7,000 were rehired, but they quit NUM and joined the rival upstart Association of Mineworkers and Construction Union (AMCU). One result, at nearby Implats, was that of the 28,000 workers, 70 percent had been NUM members in late 2011, but by September 2012 the ratio was down to 13 percent, with AMCU taking over worker representation.

The crony relations reached deep into the state, with provincial and municipal governments in the mining belt apparently rife with corruption. Emblematic was the 2009 assassination of a well-known ANC whistleblower, Moss Phakoe, which a judge found was arranged by the mayor of Rustenburg, the municipal district just west of Madibeng. Again, in this context, Lonmin and the other big mining houses in the platinum belt might have considered South Africa just one more third world country worthy of the designation "Resource Cursed"—a phrase usually applied to sites where dictatorial and familial patronage relations allow multinational capital in the extractive industries to, literally, get away with murder. Around two dozen anti-corruption whistleblowers like Phakoe were killed in the first few years of Zuma's rule.<sup>18</sup>

At the national level, too, family enterprise suited the Zumas, who had a reported 220 businesses. It was not surprising to learn, for example, that along with the Gupta family—generous sponsors of Zuma's patronage system—son Duduzane was co-owner of JIC, the platinum belt region's largest firm specializing in short-term worker outsourcing (sometimes called

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"labor broking," though JIC denies this, and NUM has a recognition agreement with the firm). Nor was it a secret that the president's nephew Khulubuse Zuma played a destructive role in nearby gold-mining territory as co-owner of the soon-to-be-bankrupted Aurora mining house (formerly Harmony Mines), along with Zuma's lawyer and Mandela's grandson Zondwa. Indeed, that particular mining house had perhaps the single most extreme record of ecological destructiveness and labor conflict in the post-apartheid era, reflecting how white-owned mining houses sold used-up mines with vast Acid Mine Drainage liabilities to new black owners who were ill-equipped to deal with the inevitable ecological, social, and labor crises.<sup>19</sup>

The society thus learned a great deal about itself because of the massacre and a growing realization about the socioeconomic, political, and ecological context. The stage was set, immediately after Marikana, for renewed debates over whether the Tripartite Alliance was now a progressive or regressive political arrangement, especially between the center-left unionists and Communists who are close to official power and thus defensive of the political *status quo*, on the one hand; and on the other, critical, independent progressives convinced that South African politics could become more acutely polarized. Overlaying the crisis and these debates was the internal ANC split between pro- and anti-Zuma forces. This spilled over into Cosatu prior to its September 2012 congress before, at the Mangaung electoral conference of the ruling party, Zuma squashed his only opponent in the race for ANC president (then deputy president Kgalema Motlanthe) with three quarters of the vote. It was this same political battle that initially paralyzed labor leadership, given the danger Cosatu would unleash centrifugal forces that its popular general secretary Zwelinzima Vavi could not control.

### Metalworkers Break Cosatu Chains

The political maneuvering left Cosatu mostly silenced about Marikana, as NUM's weight (it was then the largest member) and the parallel subversion of other union leaders made it too difficult for the federation to visibly back the upstart platinum, gold, and other mineworkers. In any case, what these wildcat strikers were doing might, more conservative unionists believed, even throw institutions of centralized bargaining into chaos. The demand for higher wages was both extreme—thus opposed by NUM—and ultimately partially successful in the case of Marikana's courageous workers. The reported 22 percent raise that workers won from Lonmin after a month of striking was remarkable. It was driven in part by severe desperation, since the mashonisas' garnishee orders demanding debt repayment had so greatly driven down take-home pay. And the rudderless Lonmin was certainly on the back foot, with its massively overpaid (white, British) chief executive hospitalized with a terminal illness, never to return. (He was replaced by an extremely capable black Zimbabwean, at a much smaller salary, but with a greater capacity to convince both the media that the company could recover after the massacre,



and investors to continue funding the firm.)

The strike inspired the country's labor force to look askance at their own pay packets. A worker revolt continued from after the massacre well into 2013, inspiring many to begin wildcat strikes, demanding far more than their trade unions had won in negotiations just months earlier. Truck drivers received an above-inflation settlement in October 2012 after resorting to sometimes intensely violent methods to deter scab drivers, in the process creating shortages of petrol and retail goods in various parts of the country. With Durban's Toyota workforce (Numsa members), municipal employees, and then the farm workers of the Western Cape all also engaged in wildcat strikes, it was no surprise that in September 2012 the World Economic Forum's *Global Competitiveness Report* placed South Africa in the number one position for adverse employee-employer relations (in a survey done even prior to Marikana). Using the same measure of class struggle, in 2011 the South African workforce ranked only seventh out of the 144 countries surveyed. By February 2013, the farmworkers had won a 52 percent wage increase after ongoing strikes threatened the vineyards' viability and reputation. Again in September 2013 the South African workers won the label of most militant proletariat in 148 countries surveyed by the World Economic Forum, far ahead of second-place Venezuela.<sup>20</sup>

Partly as a result of labor militancy, major ratings agencies began downgrading the country's bond rating, for example, to BBB level by Standard & Poor's. The resulting higher interest rates on the country's prolific foreign borrowings created yet more fiscal pressures as well as household and corporate repayment stress. Given Europe's crisis and South Africa's vulnerability, there were much lower GDP growth rates in 2013 and, as projected, into the future. And instead of countering that prospect with an expected interest rate cut by the South African Reserve Bank in late 2012, the country's shaky financial standing put countervailing upward pressure on rates. By early 2014 they were raised another half percent as the central bank reacted to a currency crash that had wiped nearly a third off the rand's value in the prior fifteen months.

The opportunity to translate this turmoil into working-class gains was palpable. Yet by failing to issue immediate statements about Marikana, much less mobilize workers for solidarity against the joint onslaught of multinational capital and the state, Cosatu was simply unable in late 2012 to intervene when so many cried out for a shift from the proverbial "War of Position" to a "War of Movement." Cosatu's longing gaze to Zuma for a genuine relationship reminded many of its support for him during the darkest 2005–2007 days of his double criminal trials, on corruption and rape charges. (Legal technicalities allowed Zuma to escape both.) Yet it was now, in the wake of Marikana, even more apparent that Cosatu's conservatism was the principal barrier to social progress.

By mid-2013, the most important contradiction within labor appeared to

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be the split between the pro-Zuma president, Sidumo Dlamini, and the majority of Cosatu affiliates on the one hand, and Vavi plus Numsa and eight smaller unions on the other. Vavi made a serious error by having a brief affair with a junior officemate, whose allegations of rape (later withdrawn) and demand for a \$200,000 blackmail payoff (publicly refused) allowed Dlamini to suspend him. "I handed my enemies a loaded gun," said Vavi. But the suspension fostered extreme tensions, especially when late in 2013 Dlamini postponed action on a petition by the requisite nine member unions who demanded a special congress of several thousand Cosatu members to decide matters. The Vavi-Numsa strategy was to win back Cosatu. But in early 2014 after issuing a charge sheet against Vavi for various other alleged personal ethical violations—said by Vavi to be merely trumped up claims—Dlamini and his allies formally refused any congress and it appeared a split would necessarily follow.

Matters had sharpened so much because in mid-December 2013, the week after Mandela's death, Numsa's own special congress decided unanimously to cut ties with Zuma's ANC, effectively declaring a political war. The drive leftwards was organic, not simply a manifestation of Numsa's openly socialist leadership. The union's much more cautious president, Cedric Gina, had resigned just before the special congress, as it became apparent that secretary general Irvin Jim and his deputy Karl Cloete had stronger momentum behind their devastating critique of Zuma and Dlamini. Other top leaders—the young Pretoria autoworker Andrew Chirwa who took over from Gina, and his new deputy Christine Olivier, as well as national headquarters stalwarts Mphumzi Maqungo, Dinga Sikwebu, Castro Ngobese, Norma Craven, and Woody Aroun (to name just a few)—represent the most talented socialist cadre in any union on the continent, all able to keep the project going if Jim is sidelined by his growing list of enemies. But the delegates supported a shift even further leftwards than Jim and other leaders anticipated, and much further still than Vavi called for when he gave the Numsa congress a keynote speech, as was apparent in several unanimous decisions:

- First, the break with the ANC included a retraction of the usual \$200,000 gift for electoral support (as well as personnel and office assistance), a demand that Zuma resign the presidency in part because of irregular state funding of his \$19 million rural mansion, and condemnation of ANC policies including the neoliberal National Development Plan, pro-corporate macroeconomic management, commercialized highways, and especially a youth wage subsidy anticipated to create a secondary labor market and undermine established workers.
- Second, workers authorized a showdown and likely divorce with Cosatu over Vavi's ongoing suspension, as well as open violation of Cosatu rules

regarding single-sector recruitment, given that Numsa desired new members from workplaces not limited to heavy manufacturing but across the value chain, including mining.

- Third, they agreed that a united front approach and a movement towards socialism would be established in conjunction with the diverse, disgruntled social movements and community organizations which since the late 1990s have been growing restless about shortcomings of ANC neoliberal nationalism.<sup>21</sup>

The latter move included Numsa's hosting of a "struggle expo" at the union's impressive Marxist political school in Johannesburg in late January, just as the upsurge of local protests gained momentum. Nearly every militant force in civil society (including the oft-stigmatized LGBTI community) arrived to meet the leading Numsa shop stewards. Numsa has even welcomed the infamous "feces flingers" of Cape Town: several former ANC local leaders expelled from the party in mid-2013 because their tactic of tossing raw excrement into the atriums of the city's airport and provincial parliament, as well as along the main highway and even at the provincial governor's Mercedes Benz, had proven effective in the country's sole province not run by the ANC. The national ruling party's leaders realized, given how quickly Cape Town city officials responded to this tactic by improving sanitation services in Khayelitsha township, that there was no small likelihood that pooping the one percenters might also prove attractive in ANC-controlled towns.

### Left Party Pretenders, Populists, and Possibilities

In the meantime, two other parties ostensibly to the ANC's left continued to maneuver. One, the South African Communist Party (SACP), had since the 1930s operated deep inside the ruling party, and yet repeatedly played a conservatizing role. Genuine radical activists were alienated by SACP opposition to the rising demand for minerals nationalization and by the SACP leadership's curious accusation that Lonmin miners were "counter-revolutionaries."<sup>22</sup> The same men spent much of late 2013 hurling invective against Numsa, which was replied to in kind. To illustrate the divergent approaches, somewhat meager struggles led by the SACP included a move to erase bad credit ratings for millions of blacklisted borrowers, yet without dropping the actual debt repayment obligations—thus confirming a palliative approach. While the SACP had been severely marginalized during the reign of Mbeki (a born-again-neoliberal having once been a Moscow-trained communist leader), several leading party members (e.g., Blade Nzimande, Thulas Nxesi, Jeremy Cronin, Yunus Carrim, and Rob Davies) were given cabinet or deputy minister posts in 2009 and were thus apparently co-opted to the Zuma project.

In contrast, the newest left-wing party, the Economic Freedom Fighters

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(EFF), entered political life with far more energy and initiative because of its extremely charismatic leader Julius Malema, even if its dubious roots deterred support by many socialists and other progressives. Along with Vavi, former ANC Youth League president Malema was amongst Zuma's strongest supporters in the 2005-08 battle to toss out Mbeki (even defending Zuma during rape charges with what was judged to be "hate speech" against women—for which he was forced to apologize and pay a hefty fine). His thuggish approach ensured enduring notoriety, but also an enthusiastic populist following amongst the vast alienated masses. With Zuma's elevation to president in 2009, the young firebrand grew overconfident. He reacted to the worsening economic crisis by demanding widespread nationalization, and in the process, he and other Youth League leaders went far beyond the bounds of ANC discourse. They very vocally fell out with the vast majority of ANC apparatchiks, including NUM and SACP elites, and used the experience of marginalization to foster yet more radical politics.

But Malema's own personal tenderpreneurship—a middle-man, deal-making role in the northern-most province—reportedly led to a \$5 million looting of state coffers with no value added. This allowed his enemies, soon to include Zuma, to ensure that the tax man and national prosecutor swept in and confiscated his farm, mansions, and savings accounts. Malema's richest allies received similar treatment, and so quickly dropped their public support for him. During 2011–2012, Ramaphosa led an ANC disciplinary committee that ultimately expelled Malema, in the process wrenching away control of his power base in the ANC Youth League, and routing all his allies there too. The Youth League soon went into financial receivership because of millions of dollars in unpaid debt.

Yet the genius of the man disparaged as "Juju"—to emphasize his childishness—is to take such hits in stride, and with political jujitsu become stronger as a martyr. Aside from Ramaphosa, his primary political enemy for the next five years remains Zuma, whom he repeatedly calls "the shower man" in reference to the president's rape-case defense that after unprotected sex, which Zuma claims was consensual, with a young woman he knew to be HIV-positive in 2005, Zuma took a hot shower as protection. (Tragically, sex and money continue to play as outsized a role in South African politics as in less class-conscious countries such as the United States, Britain, and France.)

Malema's formal fraud trial begins in September and will probably lead to a conviction, but there is no question he and his closest allies have the potential to rally millions of impatient youth for years to come, even if their coffers are bare compared to the heydays of ANC Youth League dominance. In late 2012, just as Ramaphosa was anointed Zuma's deputy, Malema made his last-gasp appeal to rejoin the ANC and avoid banishment, but Zuma turned him down, with Ramaphosa influential as an uncompromising ANC disciplinary committee member. Malema had spent the prior months in

the Marikana region and rallied tens of thousands of angry workers, community activists, and youth at several of his appearances. At one point, a few weeks after the massacre, the entire national security apparatus was on "high alert" because he addressed a few angry dissident former ANC guerrillas who were not properly integrated into the army.

It transpired, indeed, that mass murder at Marikana was itself partly a function of key Zuma allies' paranoia about Malema. This was revealed in a transcript of an August 14, 2012 meeting between Lonmin executives and the provincial police commissioner, Zukiswa Mbombo, who was clarifying the state's willingness to clamp down with force:

When I was speaking to Police Minister Nathi Mthethwa, he mentioned to me a name that is also calling him, that is pressurizing him; unfortunately it is a politically high. Cyril Ramaphosa. Yes. When I was talking to national commissioner (Riah Phiyega) last night she said to me: "Who are the shareholders here?" and I said I do not know the shareholders, but I know that the minister mentioned Cyril. And then she said: "Now I got it." You know why she says she got it? Remember, Cyril was in the appeals committee of Malema, remember?<sup>23</sup>

Appearing before the Farlam Commission in February 2014, Mbombo was asked about that meeting, because the minutes recorded her own knowledge of "Malema's view on nationalization...so it has got serious political connotation that we need to take into account but which we need to find a way of defusing...hence I just told these guys that we need to act as such that we kill this thing" (*sic*). As Farlam himself observed, it was obvious that Mbombo did not want Malema to march in and defuse the situation, as would have been feasible given his stature. She then elaborated to Farlam: "I had to find out if Lonmin didn't think that nationalization would have been one of the reasons there was this situation. The nationalization issue was already being mentioned in the political circles."<sup>24</sup> To interpret, the potential that Malema would get mileage from a new power base amongst mineworkers, had he successfully intervened in the August 2012 strike given the leadership vacuum, was apparently a sufficient incentive to the provincial police that a premeditated massacre became the preferable option. Mbombo understood what was at stake, *economically*, if Malema's popularity continued to rise.

The Marikana massacre was planned by the authorities (including Mbombo) in various ways: seeding police anger at two prior murders of constables by the same mineworkers—allegedly in self-defense—a few days before (jpg shots of mutilated faces were sent out on ubiquitous smart phones widely seventy-two hours beforehand); providing the by-now-crazed police with live ammo, instead of just rubber bullets and teargas; rolling out barbed-wire fencing just as non-lethal firepower forced miners from the kopje, and

thus corraling mineworkers into the area where many were shot; and having multiple body bags and hearses at the ready.

On this terrain of extreme class struggle and police proto-fascism, not surprisingly Malema was quickly rewarded with overwhelming support from Marikana miners on two occasions, including a memorial ceremony he arranged for the thirty-four dead at which he kicked out several of Zuma's cabinet ministers who had come to pay respects. But, on his third visit, police denied him his constitutional rights to address another huge crowd. Malema thus became, briefly, a morally unstoppable force across the mining belt in North West and Limpopo Provinces, calling for radical redistribution of wealth. The frisson from his appearances faded over time, but his adoption of a Che-style red beret and the formation of the EFF in 2013 revived his prospects. He will continue, long into the foreseeable future, as a left-populist firebrand, with thousands of hardcore followers convinced he is being illegitimately persecuted by the state.

The reaction to this drama by Numsa leadership and most forces within the independent left, as well as many community protesters, was surprisingly but perhaps maturely blasé. While Malema attracted the rump of the neo-'BC' (Black Consciousness) movement—activists who aspired to the uncompromising principles of Steve Biko (a brilliant organizer, visionary, orator, and writer murdered by apartheid police in 1977)—the community-based radicals who were organized as formal socialists mostly observed with hostile caution. This was no surprise, what with the prior role Malema played in enforcing dogmatic ANC nationalism. The small leftist groups made overtures, the most prominent being the Democratic Left Front and the Workers and Socialist Party, but at this writing, had established no formal links. By describing EFF ideology as "Marxist-Leninist-Fanonist," Malema and intellectual allies like Floyd Shivambu and Andile Mngxitama have added flair. Their manifesto and analyses are sound, and their prospects for getting between 5 and 10 percent of the vote on May 7, 2014—and perhaps a dozen or more seats in Parliament—are impressive. They have support in the proletarian and lumpen-proletarian classes, as well as amongst the black radical petit-bourgeoisie (perhaps EFF's natural base).

This is not yet the source of a synthesis with the leading elements of the socialist trade unions. Numsa's own "Marxist-Leninist" approach has much richer traditions and its exceptional new institute recruited radical scholar-activists (such as David Maseondo and Chris Malikane, with doctorates, existing or pending, in sociology and economics from New York University and the New School, respectively) to join longstanding "Friends of Numsa" independent-left allies.<sup>25</sup> Yet since the 2005–2014 decade has witnessed the most abrupt U-turns amongst nationalists—especially the wild swings of once-loyal ANC cadres from supporting Mbeki to Zuma, and then from supporting Zuma to Malema, or from supporting Zuma to Vavi—there is no

denying the old saw of there are “no permanent friends or enemies in politics,” especially not in the world’s most unequal major society.

### Conclusion: Exhausted Neoliberal Nationalism

What has been definitive, though, is the waning of any remaining illusions that the forces of “liberation” led by the ANC would take South Africa to genuine freedom and a new society. Even before the twentieth anniversary of democracy in April 2014, the Marikana massacre of August 2012 had that effect, permanently, and Ramaphosa’s ascendance does nothing to restore faith in the ruling party—just the opposite. In coming months and years, protesters will keep dodging police bullets and moving the socioeconomic and political-ecological questions to center stage, from where ANC neoliberal nationalism can either arrange a properly fascist backlash or, more likely under Zuma’s ongoing misrule until 2019, continue shrinking in confusion with regular doses of necessary humility.

For our broader purposes of understanding turmoil in contemporary Africa, the Marikana massacre and all the follow-up chaos in Madibeng together exemplify the society’s more general Resource Curse. When a ruling party in any African country sinks to the depths of allowing its police force to serve white-dominated multinational capital by killing dozens of black workers so as to end a brief strike, it represents a profound turn. Beyond just the obvious human-rights and labor-relations travesties, Marikana revealed the extreme depths of ruling-class desperation represented by the fusion of Ramaphosa’s black capitalism, the London mining house Lonmin’s collaboration (via Ramaphosa) with the mining and police ministers, the alleged “sweetheart unionism” of the increasingly unpopular NUM, the brutality of state prosecutors who charged 270 massacre survivors with the crime of murder, and the fragility of Cosatu. In 2014, Madibeng’s water protests and all the other demonstrations against elite misrule confirm the limits of a transition that is so thoroughly compromised by neoliberal policy and crony-capitalist practice.

The cutting-edge wedge, today, between the Zuma/Ramaphosa project and the left is stark, given Numsa’s promise of a united front approach to building a movement towards socialism.<sup>26</sup> That, in turn, is the basis for hope for a different South Africa, one not ruled by multinationals, not ecologically destructive, not reliant on unpaid labor of women to cheapen migrant men’s labor, alongside prolific male violence against women, not politically corrupt. But that struggle has, in 2014, just begun—and by the looks of desperation on the faces of both sides within the borders of Madibeng, it will be a long one indeed.

### Notes

1. Graeme Hosken, “World Fraud Champs,” *Times* (Johannesburg), February 19, 2014, <http://timeslive.co.za>.

2. Phrasology and concepts are important. As one of the leading experts on Brazil’s experience, Alfredo Saad-Filho, explained following a February 2014 book launch about the Lula Moment in Johannesburg, “The attempt to build

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- a 'Nunsa moment' in South Africa will face much greater difficulties than those that confronted the Workers Party (PT) and trade unions (CUT) in Brazil, back in the early 1980s. South Africa has already gone through the transitions to democracy and to neoliberalism, while the PT and CUT emerged before these two transitions. Political democracy and neoliberalism have had very adverse implications for the composition, organic unity and capacity of mobilization of the working class almost everywhere. So the challenge is now greater, but the working class movement and the left in South Africa are also much stronger than they ever were in Brazil. The point, then, is to build a political left with working class hegemony, rather than under the intellectual leadership of sections of the middle class, or the economic hegemony of the domestic bourgeoisie, as was the case in the 'Lula Moment' in Brazil' (personal communication, February 21, 2014).
3. Matibeng Municipality, Municipal Website, <http://matibengweb.co.za>.
  4. "Squatters Poltate Irrigation Canal," November 8, 2012, *Koornant*, <http://koornant.co.za>.
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  6. Patrick Bond, "Innovations in South African Super-Exploitation," *Progressive Economics Bulletin*, 2, November 2013, <http://peweb.org.za>, and "Debt, Uneven Development and Capitalist Crisis in South Africa: From Moody's Macroeconomic Monitoring to Marikana Microfinance Mashonias," *Third World Quarterly* 34, no. 4 (2013): 569-82.
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  13. Rex Mckeanzie and Nicolas Paas-Vignon, *Volatile Capital Flows and a Route to Financial Crisis in South Africa*, University of Witwatersrand, August Working Paper 2, February 2012, <http://augurproject.ac.za>.
  14. South Durban Community Environmental Alliance, "Petrochemical Expansion Threatens South Durban - A \$25 Billion Mega-Project Mistake," November 2013, <http://climate-connections.org>.
  15. Nelly Shamase and Matsone Letsoelo, "Saving Cyril," *Mail&Guardian*, November 8, 2012, <http://mg.co.za>.
  16. Graeme Hosken, "Ramaphosa Exposed," *Times/LIVE*, October 24, 2012.
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  22. See, e.g., Blade Nzimande, "The Class Struggle is the Battle of Ideas: Opening Address to the SACP Commissioners' Conference," *Unrebezi Online*, October 25, 2012, <http://sacp.org.za>, 11, 39.
  23. SA Press Association, "Ramaphosa Raised at Marikana Inquiry," *News24*, January 30, 2014, <http://news24.com>.
  24. Athandwe Saba, "Marikana: Did Julius Malema Impact Top Cop's Decisions?", *CityPress*, February 4, 2014, <http://citypress.co.za>.
  25. By way of disclosure, this author is an occasional, often critical, volunteer within Friends of Nunsa.
  26. The 'united front approach' of Nunsa signifies two processes: first, formerly pro-ANC activists harking back to the 1983-1991 United Democratic Front that brought together in a coherent alliance most of the radical and left-liberal civil society formations. It is usually cited as facilitating sufficient internal uprisings and external sanctions that, alongside ANC diplomatic deal-making and a (minor) military threat, apartheid became excessively unprofitable for capitalism to maintain and defend by the late 1980s. However, the ANC's social movement demobilization during the early 1990s included the UDF's formal closure, in spite of fears that ANC nationalism would turn neoliberal, as happened across Africa. Second, however, the word 'approach' used by Nunsa is important insofar as there is no attempt to parachute the 'front' notion onto existing social movements and community organizations, but instead the project is best considered a bottom-up reconfiguration of leftist forces.



# Spain, Economic Crisis, and the New Enclosure of the Reproductive Commons

Sandra Ezquerro

In the past few years numerous authors have examined how the current economic crisis in Spain has differential impacts on women and men.<sup>1</sup> While this is important to show, this article's goal is to make the leap from a mere description of the *gendered effects* of the crisis, to an analysis of some of the *very gendered processes that shape it at its core*. In other words, the intent is to understand how both the crisis itself and the ways the state manages it are structurally shaped by gender.<sup>2</sup>

This analysis will be based on a critical genealogy of the classical Marxian concept of *primitive (or primary) accumulation*, which will be applied to the current economic context in Spain. It will be carried out in two different ways. First, following Marxian theory and some feminist theorists, it will be argued that primitive accumulation crops up continuously throughout the history of capitalism as a mechanism to overcome crises of accumulation. Second, based upon several feminist authors' critical analysis of the concept, it will be maintained that the primitive accumulation, or accumulation by dispossession, currently taking place in Spain is deeply shaped by gender in the sense that one of the main strategies capital develops, and the state implements, is to push the responsibilities that the state formerly had for public welfare back onto women and households. This is what Maria Mies has called "rehousewifization,"<sup>3</sup> and what will be called here a "new enclosure of the reproductive commons." This captures the fact that what had partially become a public and collectively shared responsibility for reproduction is now being imposed—as a result of the neoliberal management of economic crisis—on women (individuals) and their unpaid labor in the household (families). Spanish labor market and household data indicate that there is an important difference between the gendered workings of primitive accumulation

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from the fifteenth-to-eighteenth centuries, and current ones. Although one of its effects back then was to exclude many women from the pool of wage labor—which is not meant to deny the huge role that women played in wage-based proletarianization during the Industrial Revolution—at present it compels their entry into the labor market while simultaneously exacerbating their unpaid reproductive burden at home. Accumulation by dispossession today places Spanish women in the paradoxical situation of becoming crucial economic actors while reinforcing their traditional care-giving roles in order to make up for the state's retreat from the public arena.

### From Primitive Accumulation to Accumulation by Dispossession

Following the earlier classical economists, Karl Marx theorized what he called “so-called ‘primary accumulation’” (mistranslated in the English edition of *Capital* as “primitive accumulation”), occurring in England between the fifteenth and eighteenth centuries.<sup>4</sup> He saw this as constituting a precondition for the full development of capitalist relations of production and accumulation. Some of its best known episodes were the enclosures, including the usurpation of communal lands; the expropriation of Church property; the slave trade; the pillage of the Americas and the East Indies; and the “extirpation, enslavement, and entombment in mines” of indigenous peoples.<sup>5</sup> Common to all of this was the forceful separation of actual producers from their means of production and the concentration of the latter in the hands of the emerging capitalist class. The transformation of peasantry into wage-workers or proletarians, and the conversion of their surplus labor into capital, constituted the essential premise behind the capitalist accumulation. All of these processes were made possible to a great extent by state complicity.

Although Marx dealt with primary accumulation largely in terms of the historical preconditions of capitalism (abstracting from them in his analysis of capitalism's internal laws of motion), these practices have continued throughout the history of capitalism and are continuously brought up to date. David Harvey's discussion of this in *The New Imperialism* was inspired in part by Luxemburg's thesis that capitalism needed the perpetual incorporation of non-capitalist territories. Primitive accumulation was thus a continually reoccurring reality within historical capitalism in the form of colonial politics, the international credit system, and wars. European imperialism saved capitalism from its own crisis through the expansion of markets for capitalist commodities and the plundering of labor force and resources beyond European borders.<sup>6</sup>

Harvey suggests that during overaccumulation crises, the predatory practices of capitalism speed up and take the form of what he calls “accumulation by dispossession.” The credit system has intensified as an accumulation mechanism through the centralization of capital, corporate

fraud, attacks on pension funds, and speculation. In addition, the global commons are being enclosed in new ways. Some instances of this are the development of intellectual property rights, which are used against the very same people that produced the materials; the depletion of global environmental commons such as land, air, and water; the commodification of former public assets such as universities and public services; and the deregulation and privatization of common property rights including public pensions, social services and public health systems. Other mechanisms of accumulation by dispossession have been implemented by structural adjustment programs and through the creation of debt crises in many countries. These processes make up a new wave of enclosures of the commons which, as in the past, are enforced with state complicity and against people's will.<sup>7</sup>

### Gendering Accumulation by Dispossession

In recent decades, several authors have reviewed Marx, Luxemburg, and Harvey's work from a critical feminist perspective.<sup>8</sup> According to Maria Mies, for instance, women, nature, and the peoples of impoverished countries have made up the invisible base upon which the processes of capitalist accumulation have been historically established.<sup>9</sup> Their subordination and exploitation continue to be essential premises underlying the reproduction of the current model and, therefore, it is crucial to understand the interactions, both historical and present, between the sexual, social, and international divisions of labor.<sup>10</sup> Without denying the importance of the separation of producers from their means of production, Mies takes a step further:

The strategy of dividing the economy up into 'visible' and 'invisible' sectors...has been the method of the capitalist accumulation right from its beginning. The invisible parts were per definition excluded from the 'real' economy. But they constituted in fact the very foundations for the visible economy. These excluded parts were/are the internal and external colonies of capital: the housewives in the industrialized countries and the colonies in Africa, Asia and Latin America.<sup>11</sup>

Along similar lines, Silvia Federici questions Marx's understanding of primitive accumulation as exclusively focalized on the proletariat and the development of commodity production. In her view, primitive accumulation also needs to be understood as the development of a new sexual division of labor that created divisions and hierarchies within the working class, therefore binding women to the reproduction of the labor force, and leading to their partial exclusion from wage labor and their subordination to men. Capitalism was based not simply on proletarianization of working class men and women, but also on the fictitious separation between productive and reproductive

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work, their attribution to men and women respectively, and the invisibilization and subordination of women for the sake of men. Women were not only dispossessed of their control of the means of production, but also of control over their own bodies. The sixteenth- and seventeenth-century witch hunt, for instance, was as important as the colonization and expropriation of European peasants from their land, since it destroyed "the control that women had exercised over their reproductive function,"<sup>12</sup> and promoted the creation of a new subject/object that during the nineteenth century would come to be known as "housewife"—though, it should be added, that this was always much more a middle- and upper-class reality than one that penetrated to working-class women.

In Federici's view, primitive accumulation has been a universal process the ruling class has launched during each capitalist crisis in order to reduce wage labor costs and hide women's and colonial subjects' exploitation.<sup>13</sup> During the foundational context it drove women's impoverishment, loss of autonomy, and their subordination to the so-called productive economy. In recent decades, institutions such as the World Bank and the International Monetary Fund have brought accumulation by dispossession up to date through the imposition of programs based on social cutbacks, privatizations, and austerity that foster "the rationalization of social reproduction aimed at destroying the last vestiges of communal property and community relations, and thereby impose more intense forms of labor exploitation."<sup>14</sup>

Nancy Hartsock has also theorized contemporary global accumulation of capital as a new momentum of primitive accumulation which violently divests a growing number of people of their ability to produce their own subsistence and guarantees the concentration of capital in increasingly fewer hands. Far from being gender neutral, the current processes of accumulation by dispossession drive women's entry into paid work and use it for the creation of the feminized working-class contemporary capitalist flexible accumulation requires. As women have been drawn into the international labor force, men have also been forced increasingly to work under conditions previously primarily associated with women workers (such as growing flexibility and precariousness and part-time jobs).<sup>15</sup> The feminization of the labor force therefore causes increasing degradation of the working class. It also poses, according to Hartsock, contradictory problems and possibilities for women. On the one hand, they have been entering global capitalism in disadvantageous conditions in comparison with men. On the other hand, this incorporation increases their autonomy and allows them to free themselves from some forms of patriarchal oppression.

Nancy Hartsock shows that current accumulation by dispossession operates in irregular waves and through numerous interrelated processes, some of which have deepened during the past thirty years. First, it increases social

inequalities and impoverishment on a global scale. Second, the breaking and transformation of the social contract redefines social relations between political power, capital, labor, and, among others, the population's expectation of common goods and public services. Third, current accumulation by dispossession also entails a transformation of the processes of social reproduction and the whole set of social relations that shape them. These three processes are possible due to a number of ideological changes stemming from the rise of both neoliberalism and neoconservatism.

### Economic Crisis and the Enclosure of the Reproductive Commons in Spain

Joan Acker is correct when she states that the starting point of our examination must be "the material conditions of life and the relations involved in the production of those conditions in particular historical moments."<sup>16</sup> Taking this into consideration, and building upon Mies, Federici and Hartsock's arguments, some of the dimensions of Spain's current economic crisis will be analyzed. In doing so, the transformations that have taken place in the labor market and reproduction relations in recent decades will be specifically focused upon. The thesis is that the crisis leads to a new momentum of accumulation by dispossession profoundly marked by gender; one in which capital attempts to leave the crisis behind through a new enclosure of the reproductive commons. This process, nevertheless, takes place in different ways than it did in the past. While reproductive responsibilities are being returned to the fundamental invisible base of the economic system (i.e., women's unpaid labor), capital at the same time is increasingly resorting to women's paid labor in the job market. However, this analysis differs from Hartsock's, since it is argued that the current crisis does not unequivocally emancipate women in Spain through their entry into the labor market but, on the contrary, it revives traditional gender oppressions and merges them with more recent ones.

Focusing specifically on Spain, it is worth briefly emphasizing two issues: the singularities of both its current economic crisis and the history of its welfare state. While the outbreak of the Spanish economic crisis in 2008 resulted from the international financial crisis, its effects were aggravated by a number of previously existing factors. In the past thirty years, Spain has undergone a similar neoliberal restructuring to the rest of the world. Some of the particular legacies of the forty-year-long dictatorship which ended in 1978, however, are the enormous power retained by conservative authoritarian forces, a highly precarious labor market, huge social inequalities, a very powerful banking system in comparison with the country's European neighbors, a highly regressive and inadequate tax system, and a poor social protection structure. In the mid-1970s Spain was far below the European standards of social welfare and the first democratic governments had to

face the challenge to build social-welfare structures in an international context that pushed toward their dismantling.

While public social spending increased during the 1980s, it started to decline again after Spain joined the European Union in 1993. The Maastricht Treaty requirement of deficit reduction was pursued by cutting back social spending, and by 2002 the Spanish social spending deficit was back to its 1975 level of 7.2 percent of GDP.<sup>17</sup> Entry into the European Community and the Monetary Union as a semi-peripheral economy put large parts of the Spanish economy in the hands of foreign capital, limited national autonomy for macroeconomic decisions, consolidated a dependent productive model, caused productivity to stagnate, and turned Spain's foreign deficit into one of the highest in the world.<sup>18</sup> Massive privatization of public companies strengthened in turn the oligarchic character of the economy, which thereafter increasingly specialized in finances, tourism, services, and construction.

The construction sector grew exponentially between 1995 and 2007 due to both strong public support (through investments and tax benefits) and exorbitant private indebtedness. Spain is one of the countries with the largest social inequalities in Europe and where private indebtedness has grown the most. The financialization process has acted as an income transfer device: whereas in 1960 wages' share of national GDP was 68 percent, in 2008 it had fallen to 60.21 percent and by 2012 it had gone down to 52.3 percent. In addition, during the ten years prior to the bursting of the housing bubble, families' and businesses' indebtedness tripled from 61 percent of income in 1997 to 139 percent in 2007.<sup>19</sup> The bubble burst as a result of the exorbitant growth of private debt; the impossibility of indefinite inflation of housing prices; the inability to control external imbalances due to external markets' loss of trust; increasing social inequalities that helped to weaken internal markets; financial, monetary, and tax policies aimed at stimulating indebtedness; and the indifference of both the right-wing and social-democratic Spanish administrations toward the unsustainability of a growth model based on "bricks and mortar."

The Spanish government has made a considerable effort since 2008 to deal with the crisis, reduce skyrocketing unemployment rates, and help the banking system to pay its foreign creditors. While it soon dropped its timid neo-Keynesian policies to create jobs, by mid-2009 Spain was the OECD country that had spent the most public resources on rescuing banks (2 percent of GDP).<sup>20</sup> Within a short period of time, the public deficit shot up and so did the public debt, resulting in the so-called debt crisis beginning in 2010. The government has had to resort to "the markets" (banks and investment groups), resulting in exorbitant interest rates on public debt, forcing severe structural reforms in areas such as the labor market, public pensions, universities, the health care system, and social programs.

At the end of 2013 Spain's unemployment rate was 26 percent, yet the government was still set on achieving the EU and the Spanish Constitution mandates to keep the deficit below 3 percent through the suppression of already meager basic public benefits and services. Whereas in 2010 Spanish GDP was 94 percent of the EU-15 average, its social spending was only 72 percent of the EU-15 average and has drastically declined since then. Some of the biggest weaknesses of the Spanish welfare state are in family support services. For instance, only 10 percent of children aged two years or less in Spain benefit from public daycare (in comparison with 28 percent in the EU-15 and 58 percent in Sweden). In 2004 only 2 percent of potential clients received in-home support services for the elderly and disabled in comparison with EU-15's 18 percent and Sweden's 23 percent. As opposed to other welfare regimes in Europe, the Spanish social system has largely relied on families, and particularly women, to make up for its deficiencies.<sup>21</sup> As detailed below, this scenario is worsening with the current economic crisis and triggering transformations both in the labor market and in reproduction relations.

As shown in Chart 1, the Spanish female economically active population rate has grown markedly since the 1970s: whereas in 1976 it was 28.67 percent, by 1994 it had increased to 37.09 percent. Since the early 2000s it has continued to increase steadily and this trend did not change after the outbreak of the crisis in 2008. In the third quarter of 2013 women's economic activity rate was 53.31 percent, almost doubling the figures of the mid-1970s. This contrasts with the decline of male economic activity in recent decades: the 1976 male activity rate was as high as 77.80 percent, but thereafter followed a constantly declining trend until the mid-1990s. It reached its lowest point, 62.75 percent, in 1995. One year later, however, it started to climb again as a result of the exponential growth of the construction sector and the housing bubble, reaching a new peak of 69.21 percent in 2008. Since the outbreak of the crisis, nevertheless, it has not stopped dropping and by the third quarter of 2013 it had fallen to 65.90 percent,<sup>22</sup> which means that it is not only lower than in 2008, but twelve points lower than in 1976. The massive destruction of male employment over the past few decades, and particularly in the past five years,<sup>23</sup> has been paralleled by an intensification of women's incorporation into the labor market and, presumably, growing dependency of families on female wages.

If we turn to the employment-population ratio, as shown in Chart 2, in 1976 the male and female rates were 71.60 percent and 28.39 percent respectively. Although they both declined up to the mid-1980s, male employment rates did so much more rapidly, falling almost 15 points by 1985, while women's rates fell by half of this figure in the same period. Since then, the predominant trend has been for the male employment-population ratio to decline, rising occasionally during periods of economic growth such as the

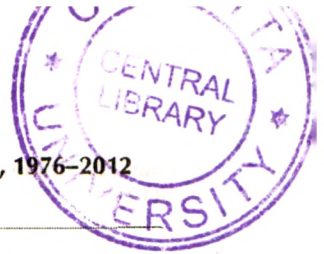
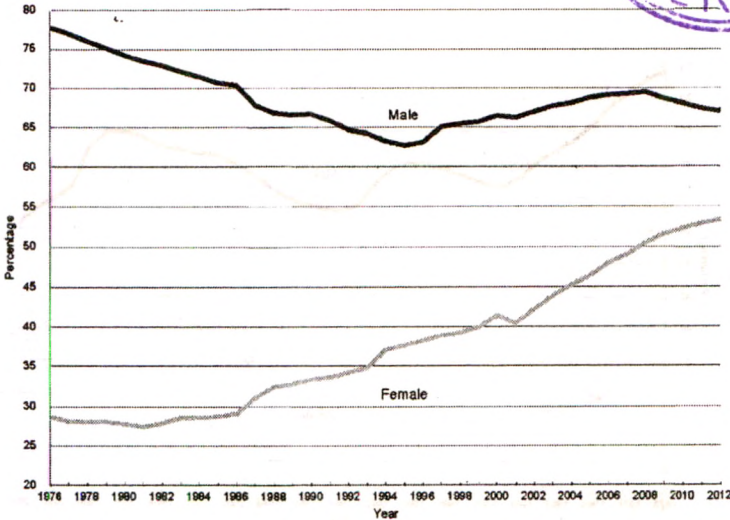


Chart 1. Economic Activity Rates by Gender in Spain, 1976–2012



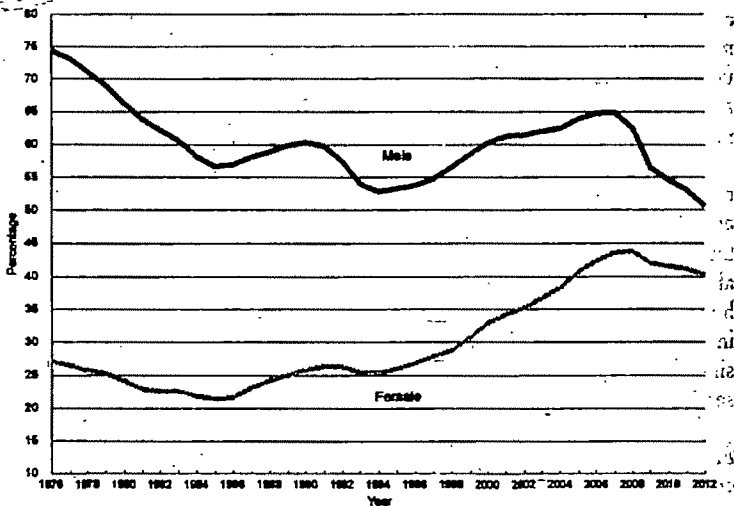
Sources: Compiled by the author from Spanish Active Population Survey data. The so-called active population is the total amount of people who are sixteen and older and either have a job or are unemployed and look for a job. The labor activity rate results from dividing the total amount of the active population by the total amount of population who are sixteen and older. It is published every quarter by the Spanish National Institute of Statistics.

already mentioned housing bubble, but never recovering its mid-1970s level. By 2007 it was 64.86 percent and has sharply declined again since, reaching 50.66 percent in the third quarter of 2012. In contrast, the female ratio has steadily grown since the mid-1980s despite a brief interruption in the early 1990s. In 1993 it was 25.5 percent, but by 2007, just before the outbreak of the crisis, it had gone up to 43.63 percent. Since then it has lost three points, reaching 40.3 percent in 2012, in contrast with the recent fourteen-point decline in the male ratio. If this trend continues, in a few years men and women may have an equal presence in the Spanish labor market. Needless to say, equality in terms of numbers, but not conditions, is meant: women in Spain continue to suffer wage discrimination, vertical and horizontal segregation in the labor market, and, among other problems, are heavily concentrated in part-time and temporary jobs.<sup>24</sup>

In contrast to the decreasing availability of Spanish women to shoulder



Chart 2. Employment-Population Ratio by Gender in Spain, 1976-2012



Sources: Compiled by the author from Spanish Active Population Survey data. The employment rate is the result from dividing the total amount of people who have a job by the total amount of people who are sixteen or older. It is published every quarter by the Spanish National Institute of Statistics.

domestic and caregiving responsibilities, life-expectancy growth and population-ageing in recent years have led to increased care needs. First, the proportion of over-sixty-fours has gone up from 10.45 percent in 1975 to 15.11 percent in 1995, 16.80 percent in 2005, and 17.38 percent in 2012. Second, the average age of the Spanish population has increased from 33.13 years in 1975 to 38.12 in 1995, 40.40 in 2005, and 41.24 in 2011. Third, the Spanish Ageing Index has grown from 35.87 percent in 1975 to 81.92 percent in 1995, 108.20 percent in 2005, and 109.53 percent in 2013.<sup>25</sup> Lastly, the Elderly Dependency Rate has gone up from 17.29 percent in 1975, 22.75 percent in 1995, 24.81 percent in 2005, and 26.66 percent in 2013.<sup>26</sup> This scenario raises the question of the effects the feminization of labor has on the traditional organization of care and social reproduction relations.<sup>27</sup>

Neither women's "entry" into the labor market nor men's "exit" from it has led to a redistribution of domestic and care responsibilities within households. According to the 2009–2010 Spanish Time Use Survey, women still spend

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two hours a day more than men on household work. While the difference decreased by forty minutes between 2002 and 2009 there still exists a difference of 17 percent in terms of participation in unpaid work (74.4 percent for men and 91.9 for women). The same survey shows that 93 percent of women consider themselves to be active in "household and family" while the figure for men is 75 percent and other studies argue that, far from "freeing" women from unpaid domestic work, unemployed men "at home" tend to become an additional burden and responsibility for women who also work in the paid labor market.<sup>28</sup>

Moreover, families' current expense-cutting strategies and fewer available resources to pay for caregiving and domestic services (mostly conducted by women as well) expand the amount of unpaid household work, increase many women's total work burden, and reinforce their "double shift."<sup>29</sup> In addition, as mentioned above, the feminization of employment and the care void it has generated within households have been accompanied during the past decades by a drastic reduction in public social expenditure.<sup>30</sup> This retrenchment has severely sharpened in Spain since the outbreak of the 2010 so-called public debt crisis.<sup>31</sup> Formerly public services such as higher education and health care are increasingly managed from a profit-oriented approach and therefore become the object of new enclosures through big hikes in college tuition and, among other things, the introduction of co-payment in public health care. Although in 2006 the previous social-democrat government passed a law providing for universal in-home supportive services for the elderly and the disabled, in 2010 it started to cut down the already meager budget allocation to implement it. The current conservative government has, on the one hand, partially privatized the services and, on the other hand, de facto frozen and in effect repealed the law. Retirement pensions are being cut, retirement age is being raised, and parental leaves and rights are being eroded. Other privatization processes are currently focused on daycare, forcing families to turn to more expensive private services or provide it themselves through free family work.

Although these measures affect the vast majority of the population, some of them have a particularly severe impact on women because of the heavy concentration of women as paid workers in public sectors such as health, education, and social services. Also, women's greater labor and economic vulnerability makes them suffer more acutely the attacks on social expenditure and public social services. The fundamental gender dimension of the current neoliberal response to the crisis, nonetheless, is that as the state retreats from numerous reproductive responsibilities, and without a redistribution of such responsibilities within households, it is families, and particularly women within them, who take on these tasks again in the form of unpaid work in the home or what Mies calls the invisible foundation of the economy, and Federici a new rationalization of social reproduction. This rehousewifization of

reproduction has intensified in Spain since the outbreak of the so-called debt crisis in 2010 and constitutes a central aspect of the current accumulation by dispossession, since it is in households where, as Pérez Orozco points out, the "final adjustment" takes place and allows for a new enclosure of the reproductive commons.<sup>32</sup>

As feminist critics have argued, the new enclosure of the commons does not take place only through commodification processes, but also through the absorption of the costs of the tip of the capitalist economy by its very invisible base: the reproductive realm. The current systemic crisis accelerates the growth of the care void and the social reproduction crisis engendered throughout years of neoliberal hegemony and drops it on women's backs. Unlike at other times in history, this does not trigger women's retreat from the so-called productive economy, but actually goes hand in hand with an increase in the importance of their economic role. Contrary to what Hartsock suggests, however, women's growing presence in the labor market does not necessarily lead to greater autonomy or liberation from caregiving responsibilities. Rather, their growing role as breadwinners intersects with the recovery of traditional gender roles that seemed to have been partially overcome and the creation of new oppressions through their specific overexploitation in the labor market, and results in an increase in their overall workload. The growth of women's total workload as a result of the neoliberal management of the crisis does not constitute a mere, allegedly inevitable, short-term collateral effect. It results from a political and economic strategy of privatization and rehousewifization of reproduction in order to guarantee the survival of what is considered the real economy that is worth saving.

### The New Struggle Over the Reproductive Commons

There has never been a moment where capitalism has not been fully dependent on unpaid reproductive work done mostly by women. The shape this dependency adopts, nevertheless, varies according to the historical context and, in different degrees, partly as a result of multiple social and political struggles, can be shared by the state and markets. The aim of this article has been to show, through an examination of the Spanish case, that the current economic crisis allows the state to get rid of part of its share of social reproduction and return it to the invisible base where it originally resided: women's unpaid labor. This process can be called a "new enclosure of the reproductive commons." As opposed to some other moments in the history of capitalism, however, this does not result in the exclusion of women from the labor market, but, rather, in their increased presence in it.

Although this article has focused on some of the material and political dimensions of this new enclosure, further research and analysis are needed in order to understand how this is currently accompanied and facilitated by

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ideological processes that fuse neoliberal principles of free market, competitiveness, and austerity with the rhetoric and defense of traditional values. As Cindi Katz argues,<sup>33</sup> globalization defenders often forget the ruling classes' ability to build powerful alliances with patriarchal, homophobic, racist, and religious fundamentalist options.<sup>34</sup> The Spanish neoconservative movement has its own particularities, which combine economic liberalism with Spanish patriotism and Christian values. Strongly allied with the Spanish Catholic church, it violently targets issues such as abortion and gay marriage. Currently part of the conservative administration, Spanish neoconservatism argues that the problems of Spanish society do not have political or economic roots, but rather moral ones, and contemporary social crises stem from the destruction of the institution where the most fundamental moral principles reside: the family.<sup>35</sup> Conservative leader Javier Arenas, for instance, publicly said in March 2012 that the government should endeavor to "recover family values that have been lost since women have worked." For him, women's return to the home is desirable since "there won't be so many marriage breakdowns, young people will stop going astray, families will fit back into traditional models, and even employment will pick up again" in a process that some have called woman-woman's return to woman-mother.<sup>36</sup> Along similar lines, also in 2012 the current Minister of Justice recently stated that motherhood makes women authentically women, and announced the current government's intention to toughen the law on abortion in 2014.<sup>37</sup> If successful, the reform would take Spanish women's sexual and reproductive rights back to the 1970s.

Overwhelmed by neoliberal hegemony, many may see the family or morality today as the last refuges from crisis and dispossession. The Spanish neoconservative right mobilizes these emotions and defends the family, homophobia, and religion, and wars against abortion and amorality. Paradoxically, this parallels a large-scale economic strategy aimed at draining the commons in favor of the ruling classes.<sup>38</sup> It is here where the dialectical relationship between the material and ideological realms emerges. The current Spanish conservative administration sharpens the austerity measures launched by the previous social-democrat government and promotes the resurrection of families (and within them women) as a source of support and care that make up for the state's growing evasion of social responsibility. The family they turn to, nevertheless, cannot be of any kind but the heterosexual-patriarchal one, which abides by, and reproduces, the sexual division of labor. This family subsidizes not only the state. It also subsidizes an economic system that is going to rack and ruin. In short, it plays a key role in setting up new strategies of accumulation by dispossession in order to allow capital to survive the crisis that its own contradictions have generated.

While this leads to an erosion of women's and people's social and labor rights, it also poses an opportunity to reflect on the role reproductive, domestic,

and caregiving work have historically had in the capitalist system and to imagine new ways of organizing them which do not necessarily entail fresh enclosures of these commons, but the possibility of actually sharing, enjoying, and valuing them. The current crisis is deep, and so is the dispossession. However, important resistance and counterhegemonic phenomena such as the 15M movement (the *Indignados*) in Spain, inspired by the Arab Spring, remind us that there is still much hope and, fortunately, still also a lot of history to be written—and made.

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  24. Ezquerro, "Crisis desiguales," "Women's Crises," and "Crisis de los cuidados y crisis sistémica."
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  26. The Elderly Dependency Rate is the result of dividing the total amount of people who are older than sixty-four years old by the total amount of people who are between sixteen- and sixty-four years old. It is published every year by the Spanish National Institute of Statistics.
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# A Practical Solution to an Urgent Need

Gregg Shotwell

*This old airport's got me down—it's no earthly good to me,  
'cause I'm stuck here on the ground as cold and drunk as I can be.  
You can't jump a jet plane like you can a freight train.  
So, I'd best be on my way in the early morning rain.*

—GORDON LIGHTFOOT, "Early Morning Rain," 1966

My hometown, Grand Rapids, Michigan, was once known as the Furniture Capital of the world. The furniture industry moved south, and then overseas, but in the 1970s a few stalwarts still plied the pretensions of the uppity class with vestiges of noblesse oblige. We made reproductions of antiques.

Why not? We had the blueprints, patterns, jigs, fixtures, and most importantly, the experience. I worked at John Widdicomb Furniture Co.

I never studied the history of furniture design. I couldn't distinguish between Louis XV and Louis XVI, but I closely examined notes which old cabinet makers scribbled on the jigs and fixtures I used for machining. Usually they inscribed advice about how to run the job. At times the jottings were simply weather reports from before I was born. A note unrelated to the task at hand made the transcription personal as if a co-worker from 1914 tapped me on the shoulder and whispered his liverwurst scented secret in my ear.

The floors of the factory were maple. The windows were wider than my arm span and taller than a bishop's hat to a child on Easter. In the old days factories needed light in winter and air in summer. We were stuck in the old days. In winter the panes frosted. We dressed in moth-eaten wool sweaters and bulky wool shirts which garnered wood shavings like dust mops. In the summer, we opened the windows wide and let warm breezes mingle with odors of raw lumber and three-in-one oil. We waved at school children placing pennies on railroad tracks and train engineers blowing their horns.

During the Great Furniture Strike of 1911, John Widdicomb Furniture Company was the scene of a riot. The wives and children of workers broke all

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## A PRACTICAL SOLUTION TO AN URGENT NEED

the windows with stones. By the time I got there in the 1970s, the rancor had evaporated. We had a union, but labor strife was a thing of the past. Likewise our trade was a thing of the past. The antiquity of the place appealed to me.

I was a machine operator, which sounds dull, but production was low and quality, not quantity, was the goal. Our focus was craftsmanship. No one hurried. I may have had only one small task, for example, a mortise in a table leg, but I only had to cut a mortise in eighty-eight pieces of stock, then I would break down the set-up, and start a new job. The set-up took longer than production.

I loved the feel of wood in my hands. The smell of cherry, mahogany, and ash. Walnut was the most aromatic. It was intoxicating like roasting coffee. Sawdust is a fragrance that provokes memories as ancient and arousing as tools made by hands deep in the forest of our collective memory. Wood, even kiln-dried wood, feels and looks alive. I studied the grain of each piece before I cut, shaped, bored, or mitered it to fit. The work was satisfying and the job was integrated.

By integrated I mean, each worker understood their personal role in the finished product and how our roles as individual workers were interrelated. When we looked at a finished piece of furniture we could locate our individual task and identify the tasks of our co-workers in the construction of the whole.

We couldn't afford to buy the furniture we made but it belonged to us by virtue of our labor. The buyer owned the object of his admiration. We owned our collective experience. We took pride in our work. Each of us, whatever our role, felt like a craftsman. Whether we ran a drill press, hand carved designs in a rail, assembled cabinets, or sanded and finished a table top until the grain glowed soft and warm as the mystery of photosynthesis embedded in the seed of a tree, we strove for perfection.

We were never pressured to hurry. Quality wasn't a slogan, it was a relationship we had with our labor, our co-workers, even our supervisors. My first day on the job at John Widdicomb's a foreman told me, "Slow down."

Perhaps nostalgia has inserted a soft focus lens over my recollection. I don't recall the slivers of annoyance, the high whine of a rip saw that made my ear drums cry, the revulsion of my nonchalant youth to the regimen of work. But my recollection isn't limited to a sentimental veneration of a bygone era in manufacturing.

A lot of my co-workers were over sixty-five. They had no desire to retire. They enjoyed the work. They were at home in the factory. No one complained about how slow they moved. They were masters. For them it wasn't a job, it was a hobby. It wasn't a factory, it was the club. There was nothing they would rather do with their time.

How different from the company I retired from where the pension goal, "thirty-and-out," was pronounced like a prison sentence.



In a simpler day and age, I would have been content to stay at John Widdicomb's and grow up to be a master cabinet maker, proud of my work and my place in life. But it was 1979 and as Gordon Lightfoot sang, "You can't jump a jet plane like you can a freight train."

I needed to move on. I had a young family and the times demanded higher wages than the furniture industry could offer. I got a job at General Motors.

The first day I walked through the doors of GM, my body cringed. Every day for the next thirty years, my body cringed when I walked through the doors of GM. My senses felt assaulted by the noise and toxic vapors. A cloud of oil and coolant hung in the air. The concussion of mechanical clamor penetrated my body and hammered my ear drums. Everyone shouted. Curses were a natural response to the environment. At Widdicomb's I considered eighty-eight pieces high volume. The production rate on my first job at GM was 88,000 pieces for eight hours of work.

Eleven thousand pieces per hour is 183.33 parts per minute, more than three parts per second, and we had to accelerate the rate if we wanted to take any breaks. And we did.

At Widdicomb's there was only one shift. We never worked more than eight hours a day. If we had to work on Saturday, we only worked until noon. At GM ten hours was mandatory. All three shifts worked every Saturday. Sixty hours a week on top of a big hourly raise meant I was in the money. It also meant that I was paying for the money with my life. I was grinding 660,000 valve lifters a week.

I didn't like the job. I promised myself it was temporary, but I didn't foresee what old timers called, "the golden handcuffs"—overtime, pension, benefits—or what pundits called, "the social contract." Pundits didn't understand that our work experience was *dis*-integrated and the so-called "social contract" bound us to a dehumanized system of labor. It was in effect an anti-social contract.

I defended myself the best way I knew. I drugged myself.

I'm an alcoholic. At Widdicomb's I drank occasionally. At GM I drank day in and day out. I wasn't alone. There was plenty of overtime but little time for family or leisure. Whether it was drugs, alcohol, gambling, or something else your mother never taught you, everyone sought gratification in consumption.

We didn't derive any satisfaction from the work. No one could identify the value of their labor in the finished product. Even tradesmen at GM were reduced to routine maintenance which diminished their skills and mocked ingenuity. They hated their jobs as much as every grunt humping the line or manning a machine.

Our reward was the paycheck. When a paycheck is all you are worth, you get addicted to spending money rather than spending time doing things that

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enrich your life.

At GM pumped out quality slogans faster than a cow passes methane gas. We didn't pay any attention. How could we? We were up to our necks in toxic work ethics and moronic management. When you grind 110,000 valve lifters in ten hours you can't possibly give a shit about any one of them.

When I worked at Widdicomb's I rolled my own cigarettes—three or four a day. It was a social habit, something I did with coffee and conversation. At GM I smoked thirty to forty tailor-mades a day. If I had any left in the morning, they smelled like coolant. I wondered if I should smoke them. But what the hell did it matter? The bosses could have squeezed all the blood and juice from my body and used the tincture for pesticide.

Then, in the winter of 1981 everything crashed. We didn't understand what happened. We did our job. The bottom fell out of the auto industry and we were left with a dead key fob. The union's response was to foment hostility against foreign workers which played right into the bosses' hands. The Japanese built plants in America and called the union's bluff.

By the time I got laid off—along with tens of thousands of other auto workers—I was a mental, physical, emotional wreck. All I was worth was a paycheck and that was gone. Fortunately, I had a friend who worked in the high-end furniture industry and he got me a job working with him at Kindel Furniture Co.

I remember the first day. My nerves were shot, but I managed to keep my hands steady as I ground a keen edge on a piece of steel. Then I cut a handle for my self-styled knife on a bandsaw, smoothed the grip on a belt sander till it fit my hand like a shiv, shimmed the blade in the slot with maple sliced on the table saw, and lashed it together with masking tape. I used this jailhouse knife to cut half-round pieces of cherry bead molding which I fitted and glued together to form a lattice to grace the glass on a china cabinet, which sold for more money than I would make that year.

The work was tedious but precise. It required patience and meticulous attention. I concentrated. The room was quiet. I could smell raw lumber. I could hear rip and crosscut saws whine and sigh in the rough mill. I gazed out the window from time to time and peered at snowflakes in refracted winter light. I relaxed. The work was meditative. Time elongated, contracted, and evaporated. Before I knew it, my first day on the new job had passed.

Thanks to my friend, not only was I able to put food on the table, I also healed—but I wasn't any wiser about the disease of capitalism. I thought I was okay because I quit drinking. I didn't understand how a job, even a good-paying union job, could devalue a person and incite a compulsion to compensate for the loss of dignity with consumption. I blamed it all on alcohol.

I am using alcoholism as a rhetorical device, a metaphor, which may

enable readers who aren't addicts to understand one must compensate in some way for the disintegration and degradation we experience at work. I was a factory worker but I believe teachers, nurses, social workers, and other professionals are likewise devalued and degraded because the principles of lean manufacturing, or "management by stress," have been implemented in every field of work.

Perhaps you don't consume drugs or alcohol. My question then is, how do you cope with a job that reduces your human potential to a cipher, a data entry, a hanging chad of a wish to be significant?

One must compensate for the disintegration we experience at work, hopefully, in a healthy, constructive manner. But as any old soldier will tell you, if you don't recognize the threat, you can't protect yourself.

Capitalism demeans labor for profit. That's not opinion, it's bookkeeping.

We need to evaluate the cost of dehumanizing workers. We need to determine how the degradation of labor affects our health physically, emotionally, mentally, and socially. The glorification of individual consumer choice disguises the consequences of disintegration in the workplace. We neglect the total cost of the cheapest price at our own expense.

Eventually I was called back to GM. I couldn't resist the money. I had a third child to support and the demands of society were growing exponentially. It was the 1980s. Every worker with an extra buck was hustled into tax-deferred investment plans as a retirement option. The future of the American Dream was in heck. It was the pawn broker's paradox. Redemption was something no one could afford.

The new GM plant I worked at was cleaner. The work was lighter and easier, but we were still exposed to toxic chemicals. The chemicals were so pernicious that the state of Michigan wouldn't allow GM to vent air from the factory. We had to trust that GM would filter the toxic fumes so the recirculated air would be safe to breathe. No one believed GM gave a damn about our health.

But air quality wasn't my immediate concern. I had the dullest, most stupid job of my life. I could have been replaced by a machine but I was cheaper. I experienced an intense need to feel integrated with my work and my co-workers.

Recovering alcoholics say, "I get drunk and we stay sober." That is, we understand that as individuals we are powerless, but collectively we have strength and purpose. Solidarity is not an ideal for us, it's a practical solution to an urgent need.

I was fortunate. I discovered a knack for writing. I began to write shopfloor flyers which articulated the core-to-core class conflict that my co-workers confronted every day. What I wrote rang true to my fellow workers because I didn't say anything they didn't already know in their hearts.

I called my flyers *Live Bait & Ammo*. Bait for the bosses and ammo for

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my fellow workers. The work of writing helped me to integrate with my brothers and sisters in the struggle for dignity on the shopfloor. I became part of something greater than myself.

Although the prevalence of cancer in my former workplace was shocking, I don't believe the exposure to toxic chemicals is solely responsible for the lower life expectancy of blue-collar workers.

Stress exacerbates our immune system. Employment is precarious because of downsizing, outsourcing, and automation. On top of that we live under the constant threat of termination. Union or non-union, in the United States we are all "at will" employees—meaning that we can be fired for no reason at any time. It helps to have a union, but in the grievance process a worker is guilty until proven innocent and the process can drag on for years while the worker is deprived of pay and benefits.

A particular supervisor at our plant had a reputation as "The Terminator," because she liked to fire workers. A few weeks before Christmas one year, The Terminator fired a co-worker, a single mother who was particularly vulnerable, for allegedly "making scrap." That is, she produced parts on the machine she was operating which were defective and had to be thrown away. Then The Terminator assigned me the same job.

Skilled machine operators can discretely cause malfunctions and breakdowns which halt or slow production. I made damn sure to produce scrap and I shut the machine off. When The Terminator asked why the machine wasn't running, I said, "I am not going to let you fire me for making scrap." She told me to keep operating the machine.

I said, "If you want me to keep running this machine, you will have to give me an A.V.O. (Avoid Verbal Orders) so that I have it in writing that you know the machine is making scrap and needs repair."

She said, "I don't give A.V.O.s. I give direct orders."

"That's better yet," I replied. "Get my committeeman and my Quality Network Rep. I want your order documented and investigated."

Precision standards are exceedingly high in the auto industry but the demand for quantity and on time delivery usually trumps management's priorities. Bosses don't want to invest the time or money to correct mechanical problems because the demand is so urgent.

I made sure the machine produced more scrap. My committeeman wrote a grievance and the Quality Network Rep. started an investigation that could climb the corporate ladder if it wasn't settled in house. No plant manager wanted desk jockeys in Detroit to think he couldn't manage local affairs.

Co-workers followed my example. They made sure their machines produced scrap, and when they were ordered to keep the machines running, they demanded grievances and Quality Network investigations. Job setters conspired with machine operators and called out skilled trades who dismantled the machines. The rebellion spread.

Soon, most machines in the department were broken down. Workers stood

around and spit on the floor. A union rep told us that the plant manager was angry and had sent him out to tell us to get back to work. I won't repeat what we said to that sorry s.o.b., but in short, we informed him that we didn't take orders from him. We didn't elect him to be the boss's messenger boy, and if the plant manager wanted to give orders he should come out and speak for himself. We had some things to say to him as well. The plant manager didn't show up.

Since GM had an open door policy whereby workers could talk face to face with bosses in the front office, I went to Human Resources and requested an interview. I was told that management would meet with two workers from the department. I invited everyone. Roughly thirty workers jammed into the office, closed the door, and blocked it. There were six managers ready to confront two workers. The bosses picked up the telephone and called the union to protect them. We let the committeeman in and told him to take notes. I may have been the ringleader but I didn't have to say a word. The rank and file were in command.

Then we went to a union meeting and demanded a civil rights investigation.

"A white woman fires a white woman and you claim discrimination?" the Bargaining Chairman asked.

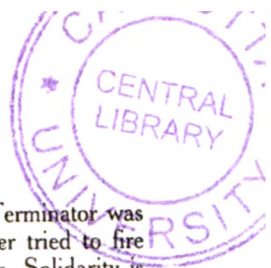
Damn right. Unequal treatment without reasonable cause <sup>is</sup> discrimination. The boss gave us all direct orders to make scrap. We had proof. The union couldn't deny or delay our demand. There were too many of us.

Documentation and witness testimony is important in the grievance process, but the primary purpose of the civil rights investigation was to rob management of their time and cripple production. The only way to leverage negotiations with management is to shut off the profit faucet. As long as profit is flowing smoothly, the bosses don't care how long a worker stands in the gallows of the grievance process.

The civil rights chairman not only interviewed workers, he interrogated engineers and supervisors. He took high-value salary employees off their jobs and squeezed them through the gut wringer. When one department slows down it impacts production in all the other departments. We were cutting into profits and the rebellion couldn't be contained.

The culmination of our campaign arrived when we got wind of a corporate tour. The bosses like to shine for the entourage. The day of the tour everyone in our department on all three shifts wore red and black t-shirts that said "Stop Harassment" on the front and "An Injury to One is an Injury to All" on the back. It was apparent to the corporate entourage that all was not right in River City.

In order to aid their insight we planted *Bullets*, which were short versions of *Live Bait & Ammo*, all over the plant. The *Bullets* accused the bosses of sabotage, of deliberately making scrap. The plant manager had some



explaining to do.

Our co-worker got her job back before Christmas. The Terminator was forced to take a week off and go to charm school. She never tried to fire anyone again. Most importantly, we learned a valuable lesson. Solidarity is not an ideal. Solidarity is a practical solution to an urgent need.

...

The urgent needs of the working class have spiked since the advent of the Great Recession in 2008, but the response from the left has been unmoored and bereft as the occupation of an unoccupied park.

Capital restructured fast. The market roared back. All debt and penalty were plastered to the backs of the working class. Banksters and corporate baggers are flush with cash. Yet pork-bellied politicians bend workers and retirees over the austerity barrel with the high-hat aplomb of bishops at Easter mass.

Where's the fight back? Where's the practical solution for working people?

We've been hit with a megadose of Shock Doctrine. Working folk are in desperate need of a labor movement, but Trumpka, the AFL-CIO President, squatting on his throne, appears comatose—content to issue press releases and lobby Congress for reform. Maybe he's the victim of a dope-shooting drone.

Has a drug as potent as a six-figure salary conned him into believing power can be persuaded by appeals to conscience rather than struggle? Or maybe we are the ones who've been doped into the inertia of waiting for leaders while biding our time in line.

A person who opposes capitalism in the United States today requires a high tolerance for cognitive dissonance—that screeching metal-on-metal sound you encounter when your walk sideswipes your talk racing past in the opposite direction. One may reject the dog-eat-dog paradigm but one cannot reject the need for food, shelter, and health care. For most of us that means scoring a job with a capitalist employer where the dissonance commences like a drum roll on a song we'd rather forget.

In most areas of the North American labor market, gainful employment requires an automobile which in turn requires gas and insurance and monthly payments to a dealer. The drummer hits the cymbals and the beat goes on. Once you have acquired employment you must choose between a landlord or a mortgage broker. Every deal requires a compromise and every compromise is a link in the chain that binds us to a concussive cognitive dissonance.

If you live in a capitalist society you must make provisions for old age—those golden years when a coldblooded devaluation of monetized human worth is measured on a scale of employability—which requires saving and investing. For most workers paying the mortgage on a slice of private property

is their only investment, but anyone with a modest amount of extra income will sock it away in a tax-deferred investment account. You may not like the game but when it's the only one in town you put your head down and play for all you are worth.

My personal stake in the market is modest, but nonetheless it is my fortune, and it casts a shadow over my beliefs and values. I feel like a recovering alcoholic with a wine cellar.

If you want to call yourself a socialist in the United States, you join a study group because socialism in an advanced capitalist society is ideological, not workable. You may protest. You may resist. You may advocate for peace, justice, and an environment clean as an angel's spit, but your day-to-day life is bound to an economic system at odds with socialist ideals. Unless we can implement a viable alternative, an actual way of living and working which replaces and surpasses the only practicable system workers in North America have ever known, all socialist proclamations are pie in the sky. As Gordon Lightfoot sang, "It's no earthly good to me, 'cause I'm stuck here on the ground," where philosophies don't bleed.

We need a new vision and a practical plan to get there.

Anyone living in Detroit—that ominous effigy of capitalism—needs to devise a practical means to survive in an urban setting abandoned by investors. But reconstructing in the shadow of capitalism is like pitching a tent under an elephant's ass.

The bankruptcy of Detroit is emblematic of capital's habit of shitting on workers and then blaming them for the mess. Coined words like competitive and globalization are simply code for low wages, high deductibles, zero security, and no pension. Austerity isn't a solution for workers, it's life without parole.

Yet affluence can be corrupting.

After the Second World War, autoworkers gained higher wages and benefits. We were separated from our class financially and in the process we embraced an economic system which causes global human misery. A misery which has come back to haunt us like a self-inflicted disease, an illness born of uncontrolled appetite. Many of my comrades worked excessive overtime, gambled on the stock market, and invested in extravagant real-estate ventures. They were buried so deep in debt that a strike was unthinkable to them. They couldn't afford to miss a payment to the man. Everything they earned was turned over to dealers who already had plans for all the money these workers would ever make in their lifetimes. Consumption appeared to be an end in itself. The only difference between these good hard workers and junkies was that the capitalist system conferred status on their addiction.

It's demoralizing to see fellow workers turned into puppets. But why should we hesitate to demand more? As Samuel Gompers said, "More schoolhouses and less jails; more books and less arsenals; more learning and less vice; more leisure and less greed."

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We should demand more for *all* workers not just the glorified individual of American myth, or the vaunted middle class waved like a pennant above the heads of workers by union bureaucrats, as if we should strive to be separated like wheat from chaff. If we want more for everyone then we may have to limit our consumption, to refine our tastes, and to consider our impact upon the ecosystem more important than our economic self-interest. The UAW is notorious for lobbying against improved CAFE or emission standards. The cognitive dissonance of corporate-dominated unions is like thunder in a collapsing mine.

When autoworkers could buy not only a house in the city but a cabin up north, they retired from class struggle and forgot to bookmark their place in labor history. Excessive overtime coupled with tax deferred investments in the stock market stuck a needle in the arm of ordinary auto workers. I watched my comrades succumb to the anesthetic.

I saw fellow workers invest their life savings in Delphi, a company designed for bankruptcy. They thought they were investing in the farm, a place where they worked and lived. I was stunned by their trust in capitalism, but they had never witnessed another economic system. They didn't experience cognitive dissonance. I did. I experienced more red lights, alarm bells, and guard rails than a railroad crossing.

I distrusted capitalism. Not because I was educated or understood Marxism but because I was raised in a home where things like furniture and appliances were confiscated for late payments. I never trusted the deal.

But the deal is on the table and we have to play our hand, not some hypothetical game. If one rejects capitalist values and desires to live without cognitive dissonance, it's imperative that he or she engage their fellow workers, organize a union, and confront the bosses directly. Any other option is academic, by which I mean it's a nice idea but risk free and ineffective because power respects power, not ideological eloquence. For workers, power in a capitalist society is at the point of production and the delivery of goods and services—not at the tip of a pencil, mine included.

Protest is essential. Our dignity demands it. But the truly effective protest in an advanced capitalist society isn't the occupation of a park for a week, or a street for an afternoon, it's an occupation of the workplace, a strike, a direct confrontation with bosses over the control of profit, distribution, and the means, methods, and fruits of production. A confrontation, I may add, which actually threatens one's livelihood, puts the fundamental reason for working, one's family, on the line. Such risk separates liberals from radicals and students from revolutionaries.

Once upon a time, I worked like an old-fashioned craftsman. I valued my experience. I felt integrated with my work and with my co-workers. I was proud of my craft, but I was compelled to hop the *Capital Express* by an urgent need for more money. I didn't go to work for GM because of an ideology, but the experience changed me. I grew to realize that in an advanced



capitalist society the only way to feel integrated rather than alienated, and to have integrity as a working person with social consciousness, is through solidarity actions with fellow workers in the workplace.

Any young person joining a union or working as an organizer in a union today may feel dismayed by the corporate clones running the union bureaucracy. But if we can't organize our fellow workers to take over their own unions, or to organize a new union, how can we expect to engage in a mass struggle of any consequence?

A social movement may take seed in a classroom but it won't gain traction until we confront the boss face to face. The practical means of mass struggle begin in the workplace because unions can directly challenge capital by throttling profit and providing a platform for participatory democracy.

I don't have a diploma. I am not a master of any ism. But I do know that the high point of union struggle in the United States was led by communists and socialists. The low point of unions today, the nadir of organizing, is led by liberals who believe a practical solution to an urgent need means cutting wages and benefits, while spending dues on the same political party that gave us NAFTA and is working overtime to ramrod the Trans-Pacific Partnership free-trade agreement before Obama thumbs his nose at the masses and leaves office to collect his bounty.

Unions from the longshore to the classroom to the post office and beyond are under attack by an administration which pocketed donations from unions. But union leaders don't suffer cognitive dissonance, and neither do the liberal pundits who support the double-jointedness. They don't have any problem swinging both ways because it pays six figure salaries.

If there shall ever be a resurgence of union organizing, it will be led by people who aren't wedded to capitalism. I am convinced they will rise from the ranks. They may not start out to be socialists or communists, but I am certain they won't promote competition with other workers. They won't push their comrades to work harder and faster and longer for less. They won't confine bargaining to a single craft or industry. They won't be corralled by borders. They will look over their shoulders at the Treaty of Detroit and refuse to relinquish the right to strike or the right to control the workplace.

"You can't jump a jet plane like you can a freight train," but if you look around the tarmac, you'll notice a whole bunch of folks who look just like us—abandoned. We need somewhere to go and something to do and something to join besides a study group, the occupation of a park, or passive participation in a Roberts Ruled bureaucracy. We need to organize a union that unifies rather than alienates the rank and file; a union with a fist connected to an arm connected to a shoulder connected to a body of people who are willing to fight for economic justice, fight for the integrity of labor, fight for the dignity of all working people in that place where effective class struggle inevitably begins: the workplace.



## Climate Change What Role For Reform?

Christian Parenti

It was an honor to have my essay "A Radical Approach to the Climate Crisis," from the summer 2013 issue of *Dissent*, "read with interest" by the editors of *Monthly Review*, even if the editors took issue with my argument that the timeframe of climate science indicates that getting off fossil fuels must happen starting immediately and be completed in only a few decades.

As Marxists, the editors of *MR* should be as radical as reality itself, even when that offends intellectual sensibilities and requires a new flexibility. Anyone literate in climate science must admit that the short-term struggle to mitigate carbon emissions is an essential precondition for achieving any other larger, longer-term goal. The science on this is clear: there is no time left to wait, carbon emissions must come down as soon as possible and as fast as possible. By some estimates half of all anthropogenic carbon emissions have happened since 1980, and the rate of emissions continues to increase. Civilization is precariously close to dangerous climatic tipping points. The compressed time frame of climate change forces me to think about emissions reductions in a pragmatic, short-term, and reformist fashion. In other words, first things first.

In the *Dissent* piece I laid out a number of things that the U.S. capitalist state could do immediately—without passing new laws or begging approval for new funding from the GOP denialists—that would have a significant impact on emissions. Those included using government purchasing (government is more than a third of the U.S. economy) to buy clean energy, electric vehicles, and retrofit buildings for energy conservation—all of which would achieve massive economies of scale, lowering clean energy prices, and thus aiding a transition in the private sector. I also suggested demanding that the Environmental Protection Agency (EPA) impose a de facto carbon tax (raising costs of fossil fuels) using the post-*Mass v EPA* expansion of the Clean Air Act.

These measures could be realistic and effective in the short term. They are

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not my preferred version of social change, nor do they solve all problems. And achieving even these modest emissions reducing reforms will require robust grassroots pressure.

If capitalism can transition off fossil fuels over the next several decades, that will merely buy time to continue struggling on all other fronts; most importantly, on all other fronts of the environmental crisis. The left needs to have credible proposals for dealing with the short-term aspects of the climate crisis as well as having a systematic critique and vision of long-term change. Both should be advocated simultaneously, not pitted against each other. We are compelled by circumstances to operate with multiple timeframes and at multiple scales. Reforms and reformism is an important part of that.

Given the state of the left globally, which outside of Latin America is largely in disarray, achieving socialism will take a very long time indeed. Thus, the struggle for climate *mitigation* and *adaptation* cannot wait for revolution.

As for invoking socialism as the cure-all, I am writing this from Bolivia where building socialism—which I fully support—is the official state project. But, as with other such attempts, the process here is extremely difficult: partially blocked at every turn by right-wing opposition, and hampered by five hundred years of imposed underdevelopment. And because the Bolivian Revolution takes place within the framework of constitutional democracy and does not use state terror to consolidate its control, the process is maddeningly slow, plagued by ugly compromises with racist ranchers, concessions to foreign capitalists, and distorted by an economic dependence on exploiting natural gas.

Yet, the Morales government—having re-nationalized natural gas, and imposed an eighty/twenty revenue split on foreign firms operating in Bolivian gas fields—is reducing poverty, infant mortality, and illiteracy, while expanding rural electrification, access to education, health care, and employment. The Morales government's timeframe for achieving socialism is fifty to a hundred years!

This is one of the most effective and ambitious experiments the socialist left has mounted anywhere on the globe since the collapse of most “actually existing socialism” in 1991. And still, it is incapable of dealing with the climate crisis, nor is it on a fast track to solving all social problems.

My point is this: sometimes class struggle can only achieve reforms. But the relative humanization and taming of some features of capitalism, in some parts of the globe, and, the continual rescue of capitalism from its own self-destructive tendencies—though ideologically inadequate for many Marxist and socialists—is actually one of the socialist left's greatest achievements. For people who receive the benefits of reform—Social Security in the United States, *Bolsa Família* in Brazil, a higher standard of living in Bolivia, a massive reduction of poverty in Venezuela—these little victories, though

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inadequate when measured against the desideratum of socialism, are quite meaningful. So, too, are the environmental reforms which have been forced upon capitalism in the United States. The Clean Air Act, Clean Water Act, and the Endangered Species Act (all passed under Nixon due to massive grassroots pressure) have had profound impacts and allowed for significant environmental remediation and recovery at the local and regional level.

A reformed, restrained, rationalized capitalism is not my version of a perfect society—but it is a better system to live under than capitalism with the gloves off. Short-term reformist victories that could mitigate carbon emissions should be taken as seriously as the dire warnings, observations, and predictions of climate science.

There was also a larger point to my essay that the *MR* editors did not address. By describing policies that the U.S. capitalist state could undertake *right now* to start euthanizing the fossil-fuel industry, I was also attempting to start a conversation about the state. Once upon a time the state was the heart of the socialist project. But neoliberalism's anti-statist rhetoric has almost "disappeared" the state as an intellectual object—even on much of the left.

The capitalist state is not just a tool of capital's rule. It is also an arena of class struggle. As such it is an institution that can solidify and enforce popular political victories over capital. If the struggle for climate justice is to get anywhere it will have to think more deeply about the contradictions of the capitalist state, and how such contradictions can be exploited in the short term. On that point, I hope you would agree.

## A Reply to Parenti

### The Editors

Our friend and *MR* author Christian Parenti misunderstood our brief comments ("Notes from the Editors," *MR*, November 2013) on his article in the summer issue of *Dissent*. We did not challenge the science of climate change, which tells us that carbon emissions must cease before one trillion metric tons of carbon have been emitted—a tipping point that will be reached in about 2040 under business as usual. There is no question that the fossil-fuel industry must go. In fact the reality that the world is confronted by a planetary emergency with respect to climate change (and the global ecological problem as a whole) and that the critical threshold will likely be approached by around 2040 (or even sooner) under capitalist economics as usual, is one that has been insisted upon by *Monthly Review* for twenty years (see in this

respect John Bellamy Foster, *The Vulnerable Planet* [1994], 11–12, 27–28, and more recently John Bellamy Foster and Brett Clark, “The Planetary Emergency,” *MR*, December 2012).

Where we strongly disagree with Parenti is in his notion that such an enormous transformation in the structure of the economic and social order as is now required can be accomplished through what he presents as a mild, and thus necessarily slow, “reformist” strategy, relying primarily on the two proposals he advances: (1) using the power of the executive branch of the federal government in the United States to order the Environmental Protection Agency (EPA) to impose additional costs on fossil-fuel use through the Clean Air Act, and (2) ordering government agencies, presumably at the initiative of the White House, to use their purchasing power to “buy clean energy, electric vehicles, and retrofit buildings for energy conservation.” Based on such measures, Parenti contends, it is possible that “capitalism can transition off fossil fuels over the next several decades.”

All we can say in reply is that the scale of the problem requires far larger transformations in the United States and in the world as a whole than he envisions. One only has to think of how much the EPA, a regulatory agency traditionally captured by the regulators, would be likely to accomplish in this respect through the Clean Air Act, or how much difference government purchasing of “clean energy” is likely to accomplish by itself—even with the Democrats in office! (Parenti tells us that the government’s own expenditure is the key to change since “government is more than a third of the U.S. economy.” But this is correct only if one adds in transfer payments, which are spent not by the government but by private individuals. Total government spending on consumption and investment, including state and local spending, is less than 20 percent of GDP, and federal government purchases of goods and services—most of which are on the military—are considerably less than that.)

In *MR* we have consistently supported leading climate scientist James Hansen’s fee-and-dividend strategy (technically a carbon fee rather than a tax) to be imposed on fossil-fuel companies and ratcheted up steadily, with one hundred percent of the revenue going to the population immediately. The effect would be that the great majority of the population—who have less than average carbon footprints—would gain from the exchange. We see this as an approach consistent with class-based political mobilization. We have also explicitly supported most other parts of Hansen’s strategy (though not his promotion of nuclear energy), including stopping the recourse to unconventional fossil fuels in the face of the peaking of crude oil, and the closing of coal-fired plants. It is the Hansen approach that has become the core of the really existing mass-based, grassroots climate struggle against coal and un conventionals (in particular tar sands oil and the Keystone XL pipeline) in the United States. The same

## CLIMATE CHANGE : WHAT ROLE FOR REFORM

general strategy toward curtailing emissions could conceivably be adopted globally, but will depend on the generation of a powerful popular-front strategy from below—which, given the deep conflict with the vested interests, will have to be truly radical in character (see John Bellamy Foster, “The Fossil Fuels War,” *MR*, September 2013).

Going beyond Hansen’s climate-change exit strategy, we have argued that such measures would only be a start, and that it will be necessary to promote a full-scale ecological revolution to heal the rift in humanity’s metabolism with nature through *system change rather than climate change* (on all of this see John Bellamy Foster, “James Hansen and the Climate-Change Exit Strategy,” *MR*, February 2013). This has to be seen as a two-stage process, involving the most radical ecological measures conceivable at present—which necessarily have to be anti-capitalist since putting sustainability before accumulation—coupled with a longer-term strategy in which fundamental changes in production, distribution, community, and culture can be envisioned. All of this needs to be seen as a process of ecological and social revolution.

The truth is that if we are going to make the global transition to protect the world from catastrophic climate change on an equitable basis, then the rich countries will need to reduce their carbon emissions annually by 10 percent or so. Such measures are not going to come from the top in capitalist society, though there may be splits at the top that open the way to more radical and revolutionary change. The enormous changes that are needed can only be accomplished by the kind of “acceleration of history” (which is how the conservative nineteenth-century cultural historian Jacob Burckhardt described revolution in his *Reflections on History*) that comes into play when the masses of people enter directly into the process of social change as a world-historical force. Socialism is not something in the distant future, as Parenti seems to think, but rather, as Marx and Engels described it in *The Communist Manifesto*, it is above all a “movement of the present.” The logic of profit and property needs to be opposed and ultimately overcome by the logic of humanity and the earth. Today we are seeing the growth of what is being called an “ecosocialist movement” that represents exactly such a strategy, and has the potential to become the impetus of a more revolutionary ecological struggle.

Parenti uses the example of Bolivia to argue that a revolutionary approach to climate change will not work, explaining that the Bolivian Revolution is expected to require the better part of this century, and is not to be accomplished in a few years or decades. But this misses the point. The Bolivian people, through their massive struggles, have moved history in a direction that is aimed at ending the alienation of humanity and of nature. It is Bolivia’s *revolutionary* process, and not *reformism*, that led to the famous “Peoples’ Agreement” at the World Peoples’ Conference

on Climate Change in Cochabamba in 2010—proposing a radical global strategy on climate change (included as an appendix in Fred Magdoff and John Bellamy Foster, *What Every Environmentalist Needs to Know About Capitalism* [2011]). If Bolivia cannot actually alter world carbon relations through its own attempts to build an ecological and indigenous-based socialism, this is because it is an extremely poor country in the periphery of the capitalist world economy.

Parenti's main point is that "the struggle for climate *mitigation and adaptation* cannot wait for revolution." We think this an odd construction. We would say rather: *The struggle for climate mitigation and adaptation needs to be revolutionary in character; it cannot wait upon a process of slow, mild, ineffective reforms constrained by the logic of capital accumulation.* It is certainly true, as Parenti observes, that socialism is no "cure-all." But the existing capitalist order left to itself—not seriously threatened by a revolutionary revolt that pushes against its own intrinsic logic—is a runaway train taking us over the edge of the cliff.

Parenti concludes by saying he is trying to "start a conversation about the state.... The capitalist state is not just a tool of capital's rule. It is also an arena of class struggle.... If the struggle for climate justice is to get anywhere it will have to think more deeply about the contradictions of the capitalist state." We agree. But the principal contradiction of the state under monopoly-finance capital, as exemplified by the United States, is that it is not in any sense a state of, by, and for the people, but the state of an increasingly financialized capitalist class. It is a plutocratic structure with some formal democratic elements, which are themselves receding. This is reinforced by the whole global development of capitalism in our time. Under these circumstances a war of movement rather than simply a war of position is needed. Only a real revolutionary, democratic resurgence of the oppressed—which means tens of millions of people in the street in the United States, and hundreds of millions, even billions, globally, will change existing conditions. The epochal crisis will not be solved by executive orders issued from the White House by Obama or his successors. Although we would certainly support the kinds of measures Parenti advocates, we should not fool ourselves. The time for amelioration is over. What is needed is a movement directed against the system of capital accumulation, demanding new ways of living in the context of the upsurge of global humanity: a new environmental proletariat. And if we want concessions from capital, it is only in the face of such a threat that they will emerge.

Is it possible for collective humanity under current historical conditions to intervene to save the planet? The answer is Yes. Is it likely? At this point we would have to say No. Yet, simply because this is the case we cannot afford to give up one inch in the struggle but must endeavor to unleash it on a far more massive scale. We are in an unprecedented global situation with the future of humanity (and innumerable other species) ultimately in question. Whatever legitimacy

capitalism previously obtained from its capacity to meet the growing needs of the population has long since departed, and the result is waste, wreckage, exploitation, inequality, poverty (accompanied by absurd levels of wealth in very few hands), and a looming planetary emergency. Under these circumstances for humanity to hesitate is to threaten the loss of all. We do not know if the planet as a place of human habitation will be saved. What we do know is that hundreds of millions, even billions, of people will join the struggle to save it. And we ourselves will be with them—along with Christian Parenti.



## MONTHLY REVIEW

## Fifty Years Ago

[Stanley] Kubrick has not made a film [in *Dr. Strangelove*] about the menace of the bomb at all, but about the menace of the lovers of the bomb. (The film's subtitle...is *How I Learned to Stop Worrying and Love the Bomb*.) The bomb is not a menace to those who love it; to them it is salvation. Kubrick dramatizes the destructive power not of the bomb, but of the lovers gone excessively amorous....

Kubrick's point of departure—and this is fundamental to the film's power—is that in a matter of such seriousness nothing is sacrosanct. He is interested in X-raying the degree of philosophical and moral debasement that is potential in the “bomb über alles” posture. He indicates that there is no democracy and that there may be no world if power over all the world is held under a thumb, any thumb, anywhere, at any time—a thumb that is able to give us all the kiss of incineration without our consent, and worse, without even our knowledge. If the reply to this is that such arbitrary use of the power is implicit in the nature of the world's military posture, and that without it we have no defense—then, Kubrick retorts, “With it we have no defense!”

In his inimitable style, he indicates that even the lowest common denominator horse sense would urge us away from our present insane love of the bomb and toward a greater love of life. So many semi-comic moments in the film leave us wondering whether it is not quite the opposite of bravery which catapults us with such force along the atomic path to salvation.

—Herbert J. Biberman, “The Lovers Bearing Bombs,” *Monthly Review*, April 1964.

(A theatre and motion picture writer, producer, and director [*Salt of the Earth*], Herbert Biberman [1900–1971] was one of “the Hollywood Ten.” The entire *Salt of the Earth* is now available for viewing for free on Youtube.)



# Wake Up and Smell the Oil

## *The Grassroots Struggle Against the Oil Plunder in Iraq*

Eddie J. Girdner

Greg Muttitt, *Fuel on the Fire: Oil and Politics in Occupied Iraq* (New York: New Press, 2012), 398 pages, \$28.95, hardback.

Greg Muttitt quotes an Iraqi friend who pointed out that there would be two phases to the war in Iraq: first the U.S. invasion and occupation, and second the struggle over the gas and oil. Ten years after tanks rolled across the border from Kuwait, the second phase continues. To a considerable extent, the United States has gained control over the vast petrochemical reserves. In that respect, the war was a success for the Bush neoconservatives. But as this book makes clear, they did not get everything they wanted. There is still no oil law, which the United States has pushed hard to get passed since 2007 and the Iraqi Parliament has no desire to pass soon. This means that the oil rush by the multinational oil companies goes on in a legal vacuum. While the international press blames sectarian strife for holding up the law, it is, in fact, due to a broad people's struggle for sovereignty. This is the side of the story which the corporate press ignores as ordinary Iraqis struggle for sovereignty over their vast natural resources.

The lack of an oil law opens the question of the legality of the contracts awarded to foreign companies, which have not yet been approved by Parliament. It opens the possibility of greater struggle against the foreign scramble for oil and gas.

Secret documents obtained by Muttitt show that big oil companies like BP, Shell, and ExxonMobil were desperate to get their hands on Iraqi oil from the beginning, even while U.S. President George W. Bush and British Prime Minister Tony Blair denied it. As the occupation took over in March 2003, the Americans encouraged looting, with government ministries burned and records destroyed. Only the Ministry of Oil was secured by U.S. troops and protected from this vandalism. Muttitt shows that Iraq was not short of skilled oil professionals and technicians in the state oil companies, as the U.S. government claimed. Like much of the rest of the Iraqi economy, the United States set out to destroy indigenous capacity and bring in Iraqis who had lived

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## Oil Plunder in Iraq

abroad. State management of oil and gas would be replaced by the multinational companies. State control was seen by the United States as old-fashioned socialist ideology, a relic of the Baathist days.

The war was certainly about oil and the vast profits to be made, but more broadly it was about the larger global capitalist economy, the price of oil, and the weakening of OPEC. Iraq is the only place in the world where oil production could be vastly increased to moderate the price and get around OPEC quotas. So the question of oil went to the heart of global transnational corporate profits. Ironically, the resulting chaos only increased the price of oil. The rush to double or triple oil production in Iraq will contribute greatly to global warming over the next twenty years of the new contracts.

Iraqis are not nearly as sectarian as the Western press has portrayed them. Except for the Kurds, they were largely united around the desire for the state to control and manage oil. The U.S. attack exacerbated sectarianism between Sunni and Shia and then divide-and-rule tactics were used. Iraqis say this sectarianism largely came with the Americans. The United States continued to warn Iraqis of the consequences of not having an oil law. But as the draft of the legislation leaked out, political resistance increased across broad sections of society, driven by Iraqi oil experts, trade unions, and even religious groups. It became politically impossible to get the oil law passed. While the Kurds in the Kurdistan Regional Government in the north rushed forward to sign contracts with oil companies without Baghdad's approval, this policy ran into difficulty and they had problems getting the oil out.

The new officials approved by the U.S. occupying authorities, who took over the Oil Ministry, put the project of auctioning the oil fields with vast reserves on fast track to sell them off before more political resistance could develop. They would not wait for the oil law. But the emerging struggle over oil actually united people and led to greater political solidarity among the middle class. This threatened U.S. efforts to get the multinational oil companies into the country. While they wanted more profitable production sharing agreements (PSAs), the struggle scuttled this except for in the Kurdish Regional Government area. Instead the contracts were offered on a technical service basis, which is more risky and less profitable for the companies.

The United States intended to keep ten to twenty thousand troops in the country to oversee and guarantee the oil operations, but this plan had to be abandoned as the Iraqis refused to grant the soldiers immunity in a status of forces agreement. The United States was forced to remove the troops. The bid auctions for the gas fields beginning in June 2009 involved much political window dressing to protect the oil ministry officials from political criticism. The international press reported that the companies were not getting very much, given the terms of the contracts. But this was largely window dressing. The oil multinationals were able to secretly renegotiate the deals with the Iraqi Government after the auctions to get a sweeter deal. This charade goes on.

So the lingering question is: Will the oil deals hold? The United States and

other multinationals are clearly nervous about the absence of an oil law and the lack of approval of the contracts by parliament, which is still required by law. But the U.S. troops are waiting just across the border. One can see shades of the old British model. The Iraqi government is somewhat of an Arab façade with the Americans ruling behind the scenes. But today the grassroots are more mobilized than in the past. The troops were not met with flowers. Instead, the flowers came out and dancing in the streets began on the day the last U.S. troops left. This opens the possibility of future struggle over Iraq's sovereignty over its petrochemical wealth.

Meanwhile, a number of the Bush administration neoconservatives are rushing for a stake in the spoils of the oil rush. Zalmay Khalilzad, the former U.S. Ambassador, has set up Khalilzad Associates, a consulting firm to help foreign companies in Iraq and Afghanistan. Meghan O'Sullivan, a U.S. adviser during the occupation, became an adviser to Hess Corporation. BP hired Sir Jeremy Greenstock, who was Tony Blair's envoy in Iraq, as a "special adviser." They have smelled the oil.

*Fuel on the Fire* is based upon hundreds of secret British and U.S. documents that show how the United States planned to reshape the oil industry and gain access to Iraqi oil. Muttitt also interviewed many participants, including trade unionists and Iraqi politicians.

In November 2002, U.S. Defense Secretary Donald Rumsfeld stated that the war had "literally nothing to do with oil." But a government task force on energy, led by Vice President Dick Cheney, said "energy security" should be a priority of U.S. foreign policy (xxx). When he was CEO of Halliburton, Cheney had called Middle East oil "the prize" and said that "companies are anxious for greater access there" (4). In a strategy paper, British officials saw the goal as an "investment-friendly energy sector" in the Middle East which could be an example to other countries (xxx).

In October 2002, Edward Chaplin of the UK Foreign Office stated, "on the potential for oil and gas in Iraq, the short answer is that it is huge.... Shell and BP could not afford not to have a stake in it for the sake of their long-term future" (3). The minutes of a meeting at the UK Foreign Office in November 2002 said "Iraq is *the* big oil prospect.... BP are desperate to get in there." Richard Panigun of BP said that Iraq was "vitally important—more important than anything we've seen for a long time" (4). And it was pointed out that production costs there were the lowest in the world. BP officials told Minister of trade Baroness Symons that Iraq "would provide an immense strategic advantage to any company which emerged in a commanding position" (5). Certainly, British companies were concerned that they might lose out if Britain did not support the war.

However, BP told the BBC that the company had no specific talks on Iraq with the government. In a February 2003 interview, Tony Blair said "the oil conspiracy theory is honestly one of the most absurd when you analyze it" (6).

In November 2002, three U.S.-based multinationals met with the Iraqi

## Oil Plunder in Iraq

National Congress (INC) and Ahmad Chalabi, who it was thought might become the prime minister after the overthrow of Saddam. Chevron officials met with James Woolsey, a member of the Defense Policy Board, the former CIA head, and a hawk. The Lukoil CEO, Vagit Alekperov, spoke to U.S. Energy Secretary Spencer Abraham in October 2002 trying to save the 1997 Russian contract with Saddam Hussein. The U.S. government suggested to the Russians that if they wanted future deals, they should help finance the INC—and some companies did.

All of this has a long imperial history of course, and can be understood only in that context. In 1914, the Anglo-Persian Oil company, the precursor of BP, was looking to expand into Mesopotamia. In 1915, the British invaded from the south into what was then the Ottoman Empire, near Basra. Commander General Stanley Maude made the famous statement: "Our armies do not come into your cities and lands as conquerors and or enemies, but as liberators" (8). The Iraq Petroleum Company, a consortium of British, French, and U.S. companies, ran the Iraq oil industry from the 1920s until the '70s, when it was nationalized. It became the Iraq National Oil Company (INOC). The Western multinationals were expelled.

In the next years, the state company was very successful and many benefits were distributed creating a broad middle class. Production increased from 1.5 million barrels per day to 3.5 million. Iraqis say that the nationalized industry was based upon the philosophy that the oil was to be used for the "common good," embracing the idea of social justice (19).

In the 1990s, Zalmay Khalilzad and Paul Wolfowitz were leading the calls to remove Saddam Hussein from power in the neoconservative Project For a New American Century. The desire was to boost the global oil supply, in part because the U.S. military was the largest consumer of oil in the world. This could only be done in Iraq.

In 2002, after twelve years of sanctions, Iraq was ripe for occupation and would play the role of a swing state able to boost production rapidly if under the control of the major oil companies. It was an opportunity for Iraqi exiles such as Ahmad Chalabi, working with the State Department and funded by CIA money. Many in Iraq saw these figures as "out of touch" and thieves. The oil was seen by such groups as the International Energy Agency as belonging to the people of the world, not the Iraqi people.

When the United States invaded on March 20, 2003, the First Marine Expeditionary Force seized the Rumaila Oil Field near Basra within twenty-four hours. After Jay Garner, who took over as head of the Office of Reconstruction and Humanitarian Affairs was fired, Paul Bremer arrived to head the occupation, known as the Coalition Provisional Authority. His style was to give orders like a Viceroy and he saw the Iraqis as divided and self-interested. But the United States encountered a deep culture of resistance when it came to pushing forward with the privatization of the economy, particularly the oil sector. In the view of Iraqi oil technicians, the industry would be more "effective and efficient" if kept in the public sector (59). But the United States wanted a Western management

model, and would engage in "shaping operations," to groom Iraq as a neoliberal economy. Iraq would be a "beachhead" for further expansion in the Middle East (91-92). Such was the stuff of the neocon fantasy.

Bearing Point was brought in and given a contract to design the privatization of the Iraqi economy. Selling off state companies by the occupying power was illegal under international law, but they would find a way to get the oil out of the public sector. Or at least most of it. The goal was "stabilization," a euphemism for contracts which have the status of an international treaty and are immune to future legislation. The model was pipeline legislation, under which countries cannot pass laws regulating the companies. For example, the Baku-Tbilisi-Ceyhan pipeline contract, signed in Istanbul with Bill Clinton present, has the status of international law. Such contracts trump national laws in the pipeline countries.

By mid-2004, some thirty multinational companies had signed agreements for technical training in Iraq, which enabled them to learn the details of the oil fields. Ayad Allawi, working closely with the United States, became interim Prime Minister and began planning to award PSAs to companies for some fifty undeveloped fields, while the current producing fields remained in INOC. The new oil minister, Thamir al-Ghadhban, was working with the United States, and clashed with workers in the South Oil Company. The oil union was still officially illegal under Saddam's 1987 law, which was reaffirmed by Bremer.

As opposition to the U.S. occupation increased among unionists, leaders traveled to the United States and met workers organized by U.S. Labor Against the War. Together they drafted a statement opposing the occupation and privatization. They were able to gain support for the resolution at the AFL-CIO convention. In summer 2007, a poll showed that two-thirds of Iraqis wanted state-owned companies to manage the oil, not foreign companies. There was considerable unity on this, with the exception of the Kurdish region. In contrast, the United States claimed that the oil law should be passed for the sake of the Iraqis.

Bearing Point and Ron Jonkers, an investment lawyer, worked with USAID to help write the oil law. The goal was stabilization, meaning contracts going above and around any future national laws. The profits would be locked in. The country would be rendered powerless to control the multinationals.

Hussain al-Shahristani was chosen as oil minister, to do the U.S. bidding. In July 2006, he met with representatives from Chevron, ExxonMobil, ConocoPhillips, BP, and Shell (plus four smaller companies) at the U.S. Department of Energy in Washington. Energy Secretary Samuel Bodman was in attendance. The companies told him what kind of oil law they wanted. They asked for PSAs, not technical service contracts. They wanted stabilization clauses like the ones used in some former Soviet states, to exempt them from future national legislation. The oil companies were calling the shots, while the Iraqi people were not even consulted on the new law.

Zalmay Khalilzad came to Baghdad as the new U.S. Ambassador. Barham Salih, the Iraqi Deputy Prime Minister, was America's man and in fall 2006 rushed to get the oil law passed before others found out about it. Khalilzad launched the tactic of pushing for "benchmarks," eighteen things which the Iraqis had to do. The oil law was number one (181).

But by this time, the draft of the law had leaked out and the trade unions and oil technicians launched a campaign against it. Shahrastani attacked them as Baathists and Arab nationalists. But then some members of parliament too began to oppose the law. It became a political hot potato.

When Ryan Crocker arrived as U.S. ambassador in 2007, the oil law was the U.S. top priority. The U.S. president, George Bush, pushed Prime Minister Nuri al-Maliki and threatened withdrawal of support if the law was not passed. Then Vice President Dick Cheney showed up in Baghdad and warned the Iraqis again. But all of this just fanned the flames of oil nationalism driven by the Iraqi Federation of Oil Unionists. Many members of parliament came to believe that the law would destroy the future of the country. It became impossible to pass the law. The political cleavage had shifted from the Shia-Sunni-Kurd axis to a division between the nationalists who wanted Iraqi sovereignty over oil, versus pro-occupation federalists, allied with the Kurds in the Kurdistan Regional Government.

A broad group of the middle classes, including intellectuals, professionals, academics, doctors, writers, engineers, lawyers, economists, diplomats, journalists, and senior officials called for a national referendum on the law. Crocker reacted in a secret cable by calling it "ultranationalist hype about foreign exploitation" (228). Nevertheless the people had killed the law for the near future.

In June 2009, Oil Ministry head Shahrastani moved to auction off contracts for the largest fields, some 40 percent of known reserves. It would be the largest offer to the oil giants, in history, by a factor of ten. Sadly, two-thirds of the top one hundred Iraqi oil managers were no longer in their jobs. Many had moved to Amman, Jordan. This put the Iraqi government in a weak position, reduced to being a mere financial partner to the oil multinationals.

While the oil experts in Iraq called for a wakeup alarm, to at least save the fields that were producing three million barrels per day, the bid auctions went forward. There have now been some four rounds. There was enough for all to get a share of the vast spoils.

The companies did not get everything they wanted, however. While the Iraqi resisters have not won, they have limited the windfall profits to the multinationals. At a conference in London in 2012, Jeremy Greenstock stated: "Iraq is ahead of the pack in the Arab Awakening." He is not completely wrong.

Commentary from

**Monthly Review**

April 2014, Vol. 65, No. 11

***An Independent Socialist Magazine Founded in 1949***

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The insidious nature of the economy, state, and cultural apparatus of global monopoly-finance capital is difficult to perceive—if only because it is to be found everywhere we look. Focusing on a specific case can therefore help us see what might otherwise elude us. A striking instance of this principle is to be found in the recent takeover of Chrysler by Fiat—linking a century-old Italian auto dynasty, the Great Financial Crisis of 2007–2009, the U.S. corporate bailout, the 2014 Superbowl, and the American folk music tradition.

The Great Financial Crisis struck U.S. automakers especially hard due to their heavy involvement in financial speculation, their existing excess industrial capacity, and the sharp decline in consumer car purchases following the crash. In the auto bailout the federal government poured \$10.5 billion of taxpayer funds into Chrysler alone. In the process, Washington simply handed over a 20 percent share of the company to the Italian auto company Fiat without the latter having to pay a single cent for the stock, ostensibly in return for Fiat providing its critical managerial and technological expertise. The bailout agreement also stipulated that Fiat would have the option to buy up the remaining Chrysler shares from the U.S. government, the Canadian government, and the United Auto Workers (UAW) health-care trust.

With the U.S. automobile industry slowly recovering over the last three years while the European auto industry sank into near-depression conditions, Fiat hurried to purchase the remaining Chrysler shares so as to seize its massive cash pile. In the end, it was able to purchase the now highly profitable U.S. automaker for \$3.7 billion, around one tenth (in nominal terms) of the \$36 billion that Daimler-Benz paid for the company in 1998. In January 2014, Fiat announced that Chrysler had become its wholly owned subsidiary, with the firm now renamed Fiat Chrysler. The Netherlands was chosen as the headquarters of the newly merged company to avoid U.S. and Italian taxes. The biggest shareholder in what was now the world's seventh biggest auto producer was the Italian Agnelli family, retaining a 30 percent share through

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its family investment firm Exor. John Elkann, grandson of the Fiat founder Gianni Agnelli and chairman of both Exor and Fiat, effectively runs the company, supported by Sergio Marchionne, CEO of both Fiat and its Chrysler subsidiary.

At the very moment that Fiat made its January Chrysler takeover announcement it also sought to reassure financial investors by informing them that it would be aggressively marketing the new company beginning with a long, two-minute, multi-million dollar Superbowl commercial, reaching over a 100 million prime U.S. television viewers. The reason for this marketing offensive was clear. With Chrysler now a subsidiary of an Italian automaker the palpable fear was that it would no longer be perceived as a U.S. company, particularly by such key U.S. groups as workers, labor unions, progressives, and older, moneyed Americans—potentially threatening the viability of Fiat Chrysler's American market, upon which the entire megacorporation was now dependent. Worse still, Elkann and Marchionne were worried about the backlash that could occur once the U.S. body politic put two and two together and realized that Washington had literally given away a major U.S. auto corporation, which was now generating enormous monopoly profits courtesy of generous taxpayer subsidies coupled with the exploitation of U.S. workers—while Chrysler's cash reserves were now being used to bail out its Italian parent corporation. Fiat thus decided to use an extended Superbowl advertisement to plant deep in the popular consciousness the notion that Chrysler was as American as America itself.

To accomplish this Fiat relied on its and Chrysler's Chief Marketing Officer Olivier Francois, known for his edgy and controversial sales communication techniques. Francois turned to folk music icon of the 1960s Bob Dylan, building on the relationship established through Chrysler's previous use of Dylan's music in two Jeep Cherokee ads. Dylan was to be the star of the 2014 Superbowl ad—while also providing the voiceover and music—in what Fiat Chrysler in a press release was to dress up as an “apologue” (from the Greek, referring to a brief fable or allegorical story). In the ad, Dylan intones:

Is there anything more American than America?  
'Cause you can't import original  
You can't fake true cool.  
You can't duplicate legacy.  
Because what Detroit created was a first  
And became an inspiration to the rest of the world.  
Yeah Detroit made cars. And cars made America....  
And when it's made here, it's made with the one thing  
You can't import from anywhere else—American Pride.  
So let Germany brew your beer,  
Let Switzerland make your watch,



Let Asia assemble your phone.  
We will build your car.

In the Superbowl commercial, we see Dylan rechristening Chrysler as part of American folk culture, erasing from public consciousness whatever negative images may have arisen from the bailout and the subsequent foreign ownership. The commercial consists of a dream-like setting giving rise to a flurry of visual images (all electronically tested on focus groups for their gut emotional appeal), among them: cheerleaders; cowboys; a model draped in the American flag; a boy running; a diner; an elderly white man; a farm house; motorcycle riders; a merry-go-round; Marilyn Monroe; James Dean; a baseball pitcher; a basketball layup; a rodeo; factory workers; a classic wartime propaganda poster ("We Can Do It"); a white-collar worker; a white woman with a baby; an African-American man; the natural landscape; the freeway; a car zooming down the open road; Dylan playing pool (evoking Paul Newman in *The Hustler*). It ends with a picture of the mass assembly of iPhones by women workers in Asia, which is contrasted to Chrysler's American-based production and its featured product: the Chrysler 200 with its logo "America's import." Such sophisticated corporate propaganda is meant to create continuous buzz around the various side controversies it generates, while at the same time distracting the viewer from its main subliminal message: that Chrysler is no less "American than America."

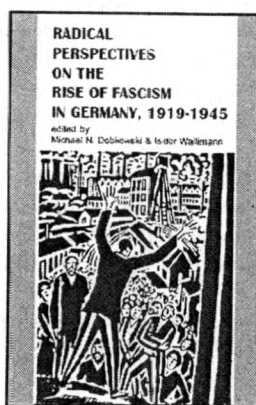
Still, for those on the left with memories of the 1960s counterculture, Bob Dylan turned car salesman can hardly be ignored. As Paul Baran and Paul Sweezy noted in "Theses on Advertising" (reprinted in the July–August 2013 issue of *Monthly Review*) among the deplorable influences of advertising on culture is that "the advertisers can be held responsible for the corruption of the artistic talent which they purchase." Dylan's evolution from popular folk artist to a promoter of commercial products is a reminder of how easy it is for artists to be entrapped by the cultural apparatus of the commodity economy, violating their own artistic integrity, which demands that their artistic talent not become a mere link in a global commodity chain.

The Dylan tragedy brings to mind the many courageous, creative artists who continue to fight against the reigning plutocracy and refuse to give an inch, despite the power of the cultural apparatus, and how much it costs them both personally and materially. If Dylan fails to emerge out of this modern "apologue" as a hero who held out to the end, others do. Pete Seeger, who died the week before the 2014 Chrysler Superbowl ad starring Bob Dylan was aired, was one such figure, revolutionary to the core, like Woodie Guthrie before him, voicing to the end: "We Shall Overcome."

The "Notes from the Editors" in the February 2014 issue of *Monthly Review* included an extended assessment of *The World Social Science Report* (2014) co-published by UNESCO and the International Social Science Council (ISSC). *MR* readers will be interested to learn that ISSC has just

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launched a World Social Science blog commencing with the *MR* editorial—now re-entitled “The Need for Eco-Socialism?”—and three articles mentioned in that piece—by Olive Shishana, Heidi Hackman and Susanne Moser, and James Murombedzi (see <http://blog.worldsocialscience.org>). Visitors to the blog are asked in its initial message to comment on *MR*'s statement on the status of world social science today (<http://blog.worldsocialscience.org/2014/02/welcome-world-social-science-blog>).



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# The Economics of Parliamentary Politics

March 14, 2014 by RUPE, india

India's private corporate sector and foreign investors have left little doubt about their preference for Narendra Modi. The stock market is experiencing one of its periodic bouts of euphoria, in anticipation of Modi's ascension to prime ministership. We plan to discuss later the reasons for this preference. The routine explanation given in the press – that Modi will take firm steps to revive 'growth' – does give us an indication of the reason, but is also misleading if taken at face value. Before we enter that question, it is worth clarifying a few points.

In one sense, the private corporate sector as a whole is entirely indifferent to results of the elections. Irrespective of which parliamentary party or coalition gets elected, broad continuity of economic policy is assured, as witness the policies of regimes since 1991 led by the Congress, BJP and the 'United Front.'

This 'neutral' attitude of big business is exemplified by the list of legal political donations made between 2004-05 and 2011-12: Private corporate firms donated more or less equally to the Congress and the BJP.[1] In all the BJP received about Rs 192 crore of corporate donations, and the Congress Rs 172 crore – a fair gauge of how the private corporate sector currently rates the two parties. In fact, each major business house generally donates to both parties: Thus the Aditya Birla group donated Rs 34 crore to the Congress and Rs 27 crore to the BJP; similarly for Bharti (Airtel), Tata, L & T; Torrent, and so on.

## Real funding multiples of stated figure

All this is only a trivial fraction, of course, of the actual expenditures of national political parties, and hence corporate funding. However, estimating those expenditures involves a lot of guesswork. There is a considerable range among different estimates, and even within estimates. In 2009, it was estimated that a serious candidate for the state legislature spent between Rs 2 crore and Rs 6 crore; a candidate for Parliament spent Rs 10-15 crore when elections were held simultaneously to Parliament and the Assembly.[2] Gopinath Munde, BJP MP and leader, confirmed these estimates when he declared (at a function attended by Narendra Modi)

that he spent Rs 8 crore on his election in 2009, i.e., 32 times the limit fixed by the Election Commission.[3] The major chunk of election expenditure is said to consist of the purchase of votes.

Typically, there are 1.5 lakh to 2.25 lakh voters in an Assembly constituency, of whom at least 30 per cent do not vote. Among the remaining voters, candidates seek to purchase around 75,000. Each vote costs between Rs. 200 and Rs. 500. This time [i.e., simultaneous assembly and Parliament elections in A.P. in 2009] it is likely to go up to Rs. 1,000 in some constituencies. Inclusive of expenditure on liquor, this accounts for 65 to 70 per cent of the total.... [Other major items include] engaging at least 2,000 active men for campaigning, poll management and counting; hiring or purchasing, and maintaining, vehicles; organising publicity material; opening village-level offices; preparing and distributing voter slips; fetching electors to polling stations; getting star speakers and picking up the tab for their travel, lodging and boarding; and other miscellaneous expenditure.[4]

The article cited above thus put the cost of the 2009 A.P. elections at Rs 3,600 crore for the (then) three main parties in the state. However, there are many more candidates, serious and non-serious contenders. Kuldip Nayar points out that in the recent assembly elections in five states, there were 6454 candidates in the fray for 722 seats; taking expenditure at Rs 2 crore per candidate for an assembly seat, he arrives at an estimate of Rs 12,908 crore. [5] Two researchers at Axis Capital put spending for the elections to 13 assemblies in 2013 at \$8 billion (roughly Rs 43,500 crore at the time), taking expenditure by each candidate for an assembly seat at Rs 3 crore, and the number of candidates for each seat at 15.[6] However, the Axis figure perhaps overestimates the number of serious candidates.

#### **Stimulus: Rs 20,000-30,000 crore**

Taking Munde's figure for 2009, and adding only wholesale price inflation for the intervening period, we get a figure of nearly Rs 12 crore per serious parliamentary candidate; even assuming only three serious candidates per seat, we get a figure of nearly Rs 20,000 crore for the parliamentary elections. Even this very conservative estimate dwarfs the official figure for corporate donations, or even the figure for all donations parliamentary parties choose to declare. Inevitably, these donations must be made secretly, in cash.

Reuters, citing a Centre for Media Studies (CMS) estimate, puts political parties' spending in the coming general elections at Rs 30,000

crore (Rs 300 billion). [7] CMS's spending projections are said to be based on analyses of rising costs in local and state elections in the past five years, and on surveys of voters regarding the prevalence of bribes. We are unable to locate further details of the CMS estimate, and how it was calculated, but the figure seems plausible. Reuters claims that India's projected campaign spending runs second only to the \$7 billion spent by candidates, parties and support groups in the 2012 U.S. presidential race.

According to news reports, the Congress and the BJP are planning to award contracts of Rs 500 crore and Rs 400 crore, respectively, to leading advertising agencies.[8] Madison Media projects the advertising budget of the coming election at \$800 million, or about Rs 4800 crore.[9] It is impossible to estimate another form of corporate support: Coverage by the private corporate media. For example, Reliance controls the Network18 media group, which has actively promoted Narendra Modi.[10] Another effective, and pervasive, form of advertising and 'sales promotion' is the distribution of liquor, envelopes stuffed with cash, and even (an innovation) mobile phone credit. The emergence of the Aam Aadmi Party, and its campaign against corruption, do not seem to have much affected the actual practice of electoral politics so far.

Indeed, so large is this unaccounted election expenditure that it temporarily stimulates a recession-affected economy. In 2009, the financial press reported increased advertising revenue of media firms and a pick-up in the sales of utility vehicles; these trends are being repeated now.[11] Edelweiss Securities predicted before the 2009 elections that alcohol sales would rise.[12] Axis Capital terms the 2013 assembly election expenditure a significant stimulus. Rajiv Biswas, the Asia-Pacific chief economist at IHS Global Insight, says that "This election spending largesse will help to boost Indian consumption expenditure over the second quarter of 2014, but this will be a temporary spike." [13] However, we also need to keep in mind that those who invest in acquiring seats will ensure a healthy return on their investments when in office, as well as set aside a sum for contesting the next election.

### Iron grip

The corporate sector is not, of course, the only donor. (We can safely ignore contributions from the common people: By and large, parliamentary parties are unable to produce evidence of large numbers of small donations; the few small exceptions merely prove the rule.) Other major contributors include landlords, traders/moneylenders, contractors, and criminal syndicates. In many cases, the candidates themselves belong to one or more

of these categories, and spend from their own pockets as a form of speculative investment, to be recovered once in office. However, it is a safe guess that the private corporate sector accounts for a large share of the total expenditure.

Apart from expenses directly related to contesting elections, all political parties must incur costs for the routine running of their party machinery, travel, posters and other propaganda, the organising of periodic rallies, and so on. Party functionaries at various levels must also be rewarded in various ways in order to keep them with the party; such an exercise, of course, is best done when the party is in power. As is well known, and was amply documented in the Nira Radia tapes, corporate funding of the party in power also takes the form of commissions for particular policy decisions.

The sheer size of this entire expenditure merely confirms what we know from practice, namely, the iron-grip of the ruling classes on the political parties and the entire parliamentary process. Ruling class influence extends well beyond funding, as we see in the exceptional case of the Aam Aadmi Party. [14] Yet funding on its own would suffice to establish that grip.

## Notes

- [1] Association for Democratic Reforms, "Analysis of Donations Made By Corporates and Business Houses to National Parties between FY 2004-05 and 2011-12". The list shows that business houses donated Rs 379 crore during this period to national political parties, accounting for 87 per cent of the contributions received by the latter from known sources. However, 76 per cent of the donations they received were from unknown sources. For example, the Bahujan Samaj Party claimed to have received no voluntary contribution over Rs 20,000 from any source for the period covered.
- [2] A Saye Sekher, "Fighting elections – the unofficial cost", Hindu, 8/4/09. <http://www.thehindu.com/todays-paper/tp-national/fighting-elections-the-unofficial-cost/article268935.ece>
- [3] <http://www.thehindu.com/news/national/other-states/munde-admits-spending-rs-8-crore-in-2009-polls/article4867676.ece>
- [4] A Saye Sekher, op. cit.
- [5] Kuldeep Nayar, "Role of Money in State Assembly Polls", Mainstream, vol. 11 No 52, December 14, 2013.
- [6] <http://www.scribd.com/doc/122953432/USD-13-Bn-Consumption-Stimulus-Jan-2013>
- [7] Sruthi Gottipati and Rajesh Kumar Singh, "India set to challenge US for election-speeding record", 8/3/14, <http://in.reuters.com/article/2014/03/08/india-election-spending-idINDEEA2804820140309>
- [8] <http://timesofindia.indiatimes.com/india/BJP-close-to-unveiling-Rs-400cr-ad-bid-for-polls/articleshow/28461560.cms>
- [9] Gottipati and Singh, op. cit.
- [10] See the well-researched article by Rahul Bhatia, "The Network Effect", Caravan, 1/12/13, <http://www.caravanmagazine.in/reportage/network-effect>
- [11] See <http://www.thehindubusinessline.com/industry-and-economy/for-some-sectors-election-is-partytime/article5361257.ece> and [http://articles.economictimes.indiatimes.com/2009-03-04/news/28412106\\_1\\_gm-captiva-serve-mitsubishi-outlander](http://articles.economictimes.indiatimes.com/2009-03-04/news/28412106_1_gm-captiva-serve-mitsubishi-outlander)
- [12] <http://www.businessweek.com/stories/2009-03-13/indias-new-economic-stimulus-election-speeding-businessweek-business-news-stock-market-and-financial-advice>
- [13] Gottipati and Singh, op. cit.
- [14] Despite not being funded by the corporate sector as yet, the Aam Aadmi Party affirms that it will pursue the same economic policies as the Congress over the last decade, only more honestly; see Arvind Kejriwal's speech to the Confederation of Indian Industry (CII).

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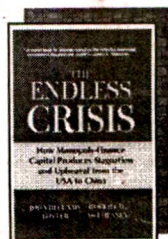


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## The Endless Crisis

How monopoly-finance capital produces stagnation and upheaval  
from the U.S.A. to China

John Bellamy Foster and Robert W. McChesney



The days of boom and bubble are over, and the time has come to understand the long-term economic reality. Although the Great Recession officially ended in June 2009, hopes for a new phase of rapid economic expansion were quickly dashed. Instead, growth has been slow, unemployment has remained high, wages and benefits have seen little improvement, poverty has increased, and the trend toward more inequality of incomes and wealth has continued. It appears that the Great Recession has given way to a period of long-term anemic growth, which Foster and McChesney aptly term the Great Stagnation

ISBN: 978-81-88401-31-4 , X + 227 pp, ₹150.00

Inland Subscription to *Analytical Monthly Review* [By Post]  
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West Bengal, India  
e-mail: [cornerstone\\_pub@sancharnet.in](mailto:cornerstone_pub@sancharnet.in)

Printed, published and owned by Subhas Aikat and printed at New Rainbow Laminations,  
31 A, Patuatola Lane, Kolkata-700009 and published at Cornerstone Publications,  
Ramesh Dutta Sarani, P.O. Hijli Co-operative, KHARAGPUR-721306, Paschim  
Medinipur, West Bengal.

Editor: Subhas Aikat



# Analytical

# MONTHLY REVIEW

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Vol. 12, No. 2

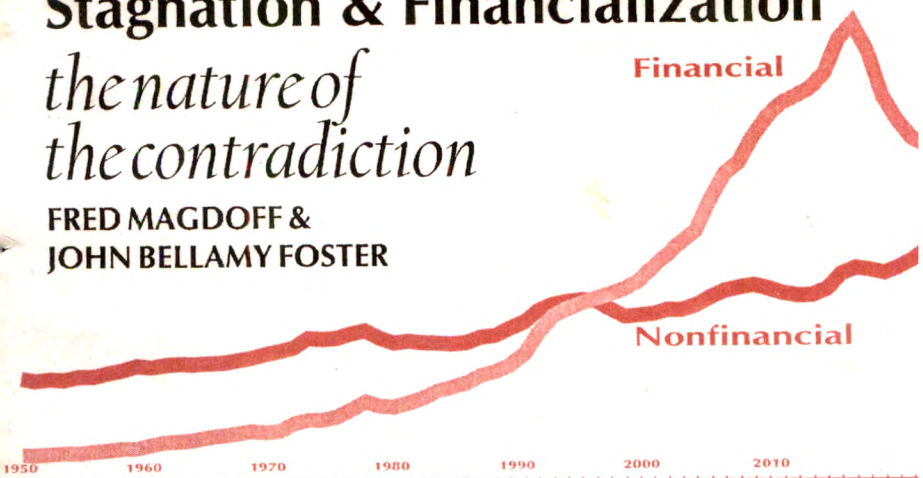
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## Stagnation & Financialization

*the nature of  
the contradiction*

FRED MAGDOFF &  
JOHN BELLAMY FOSTER



## China's Grain Production

*A Decade of Consecutive Growth or Stagnation?*

Zhun Xu, Wei Zhang, and Minqi Li

**Struggle for Cooperative  
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**Australian Coal: Should It  
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HANS A. BAER



# ANALYTICAL MONTHLY REVIEW

May 2014

VOL. 12 NO. 2

## **REVIEW OF THE MONTH** Stagnation and Financialization: The Nature of the Contradiction

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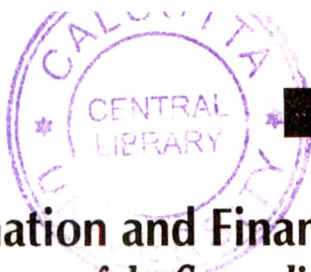
## **Editorial**

The death on March 19th of Nirmal Kumar Chandra, one of the core supporters of the *Analytical Monthly Review* from our first issue, is felt by us still with undiminished sorrow and sense of loss. We recommend to your attention Bernard D'Mello's tribute to a great Marxist economist, and a loving friend. See on page 61

Religious distress is at the same time the expression of real distress and the protest against real distress. Religion is the sigh of the oppressed creature, the heart of a heartless world, just as it is the spirit of a spiritless situation. It is the opium of the people.

The abolition of religion as the illusory happiness of the people is required for their real happiness. The demand to give up the illusion about its condition is the demand to give up a condition, which needs illusions.

Marx, *Critique of Hegel's Philosophy of Right*,



## Stagnation and Financialization *The Nature of the Contradiction*

Fred Magdoff and John Bellamy Foster

*But in a period like the present when trade is chronically stagnant what can we say of the worker's hope if he can see no further than a continuance of the present relations of employer and employed; if the system of capital and wage-earning is to go on?*

—William Morris<sup>1</sup>

More than six years after the beginning of the Great Recession in the United States, and nearly five years since it was officially declared over in this country, the core economies of the capitalist world system remain crisis-ridden. The jobs lost in the downturn in the United States have not yet been fully recovered and the economy remains sluggish. In Europe the crisis has hardly abated at all and a number of the peripheral European Union countries are in what can only be called a depression—especially Greece, Spain, and Portugal.<sup>2</sup> The last member of the triad of advanced capitalist centers, Japan, has gone through what have been called two “lost decades” of slow growth and deflation and is attempting once again to jump-start the economy through a combination of devaluation of the yen and deficit spending.

Given these dire conditions it is not surprising that even some of the leading orthodox economists are beginning to talk about the current economic malaise as more than a passing phase or business cycle disturbance. In a speech to the International Monetary Fund (IMF) in November 2013, former U.S. Treasury Secretary Larry Summers suggested that it was time to reach back in economic history to a “set of older ideas” long out of fashion “that went under the phrase secular stagnation”—a term employed by Alvin Hansen, Keynes’s leading early follower in the United States, to refer to a built-in tendency to slow growth in mature economies associated with vanishing investment opportunities. Commenting on the most recent period,

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Summers noted that despite the enormous scale of the financial bubble, prior to its bursting in 2007–2009, there was in fact no “great boom” in the economy: “even a great bubble wasn’t enough to produce any excess in aggregate demand.”<sup>3</sup> This suggested that the forces of stagnation in the economy were extremely deep-seated. As he put it the following month, in an article for *the Financial Times* entitled “Why Stagnation Might Prove to Be the New Normal,” “the presumption that normal economic policy and conditions will return at some point cannot be maintained.”<sup>4</sup>

Summers’s comments to the IMF were picked up and developed by Paul Krugman in his *New York Times* blog. For Krugman “an economy facing secular stagnation...isn’t just a temporary state of affairs, it’s the norm.” Under these circumstances, financial bubbles and economic waste in general are needed simply to keep the economy afloat. In his words: “We now know that the economic expansion of 2003–2007 was driven by a bubble. You can say the same about the later part of the 90s expansion, and you can in fact say the same about the later years of the Reagan expansion, which was driven at that point by runaway thrift institutions and a large bubble in commercial real estate.”<sup>5</sup>

In other words, the root problem is one of a strong gravitational pull toward slow growth or stagnation—so much so, Summers stresses, that even the enormous housing bubble prior to 2007 was “sufficient to drive only moderate economic growth.”<sup>6</sup>

Neither Summers nor Krugman offer a theoretical or historical explanation for secular stagnation. Instead they focus simply on the liquidity trap in which interest rates approach zero—making it difficult to stimulate the economy monetarily by further lowering rates.<sup>7</sup> Nevertheless, they are both perfectly clear about the policy implications from their standpoint. What is needed is increased spending of all kinds to get the economy moving again, initially through expanded government expenditure, but with the object of jump-starting private investment spending. In these terms not only is government deficit spending good, but so in a way is “wasteful” spending—both public and private—and even financial bubbles (insofar as these are not destabilizing for the entire system), since they can all aid in achieving faster growth. To quote Krugman: “private spending that is wholly or partially wasteful is...a good thing, unless it somehow stores up trouble for the future.”<sup>8</sup> The way out of the crisis is then to give the whole economy an artificial stimulant of some kind—even risking further long-term problems.

What is abundantly clear is that some of the foremost economic defenders of the system are now presenting the disquieting perspective that stagnation is somehow deep-seated in the contemporary capitalist economy, and that waste and financial bubbles in this context become in a sense “rational.” All of this



naturally gives rise to the demand for a deeper explanation of secular stagnation and its relation to the contemporary expansion of finance.

### Stagnation and the Financialization of Capital

In order to examine the roots of the stagnation-financialization contradiction more fully it is necessary to turn to the Marxian tradition—where the focus is on the accumulation of capital. A useful historical starting point is the argument provided by Paul Sweezy in “The Crisis of American Capitalism,” a talk presented to audiences in England in May 1980, six months prior to Ronald Reagan’s election as president. At that time Sweezy declared that the United States was caught in a long-term crisis of capital accumulation. The conceptual framework behind this, he remarked,

draws upon...a line of thought which originated with Michał Kalecki and attained its most complete expression in the work of Josef Steindl published in the early 1950s, *Maturity and Stagnation in American Capitalism*.... A simpler version appeared in Paul Baran’s and my book *Monopoly Capital*, begun in 1956 and published in 1966.

This theory is best described, I think, as an “overaccumulation” theory. It holds that under monopoly capitalism as it has developed in the advanced capitalist countries during the twentieth century there is a strong, persistent, and growing tendency for more surplus value to be produced than can find profitable investment outlets. Where this situation obtains, as some followers of Keynes like Alvin Hansen suggested as long ago as the 1930s, the result will be a decline—or slowdown in the rate of growth—of output and income, with rising unemployment and falling rates of utilization of productive capacity. And this situation in turn puts an added damper on investment and economic growth. I said that this set of tendencies is both persistent and growing in intensity. The reason is that the process of monopolization—what Marx called the concentration and centralization of production—is a continuing one which has characterized the history of capitalism throughout the present century and is still operating. We can sum up by saying: the more monopolistic the economy, the stronger the tendency to stagnation.<sup>9</sup>

This meant that the conventional argument with respect to capitalism and growth needed to be turned on its head in the monopoly-capitalist era. Rather than rapid growth being considered the norm and economic crisis an exception, the reverse was the case: “stagnation is the norm, good times the exception.” It followed that what most needed to be explained theoretically were not periods of economic crisis and slow growth, but rather “periods of sustained expansion and buoyancy.”<sup>10</sup>

The core contradiction, engendering the tendency to stagnation, was the

inability to absorb the enormous surplus generated within production. This was manifested primarily in the faltering of the capital accumulation process, which was faced with a continual shortage of profitable investment outlets due to a growing degree of monopoly in the economy and the effects of this on price, profit, output, income, and demand.<sup>11</sup>

Adding to the stagnation tendency emanating from monopoly capital was what Hansen had presented as the problem of industrial maturity, the analysis of which was later to be expanded in Marxian terms by Sweezy. The evolution of industrialization in the nineteenth and early twentieth centuries led to the building up of both departments of production: department I (producing means of production) and department II (producing consumption goods). An enormous accumulated capital stock was therefore amassed capable of satisfying virtually all of the normal demand requirements of the economy with relatively little net investment (i.e., beyond the replacement of worn-out plant and equipment). As Hansen put it, this signified the shift from a "capital poor" society to a "capital rich" society. The long-term effect was to worsen the overall conditions of surplus absorption.<sup>12</sup>

Consequently the economy became increasingly dependent for its advance on historical stimuli external to the private-accumulation process, including state spending, economic waste, and major technological innovations (particularly those of an epoch-making character such as the automobile). In "The Crisis of American Capitalism" as well as other articles, Sweezy singled out six factors external to the normal workings of private accumulation that had helped prop up the economy in the early post-Second World War era: (1) the rise of unrivaled U.S. economic hegemony which set the stage for the expansion of world trade and capital movements, leading to the growth of multinational corporations; (2) the enormous consumer liquidity (savings) that had been built up in the United States during the war period; (3) the rebuilding of the European economies that had been shattered by the war; (4) new technologies arising out of the wartime experience, including electronics and jet aircraft; (5) the second wave of automobilization of the U.S. economy in the 1950s with the construction of the interstate highway system; and (6) the acceleration of militarization and imperialism during the Cold War, including two major regional wars in Asia.

These were all powerful external forces absorbing surplus capital and lifting private accumulation for a time, but all were "necessarily subject to a sort of law of diminishing returns. Or to put it in other terms, the stimulus which they provided, individually and collectively, to the worldwide capital accumulation process was bound to diminish sooner or later." It was no mere coincidence that the downward shift in the economic trend occurred just as "the Vietnam War entered its last stage.... The logical result was that the cyclical downturn of 1974–1975 was much sharper than any of its postwar predecessors" and



pointed to a reemergence of stagnation as a persistent force in the U.S. and world economies.<sup>13</sup>

In the spring of 1980, when Sweezy was addressing “The Crisis of American Capitalism,” it was unclear that there was any immediate, short-term solution to stagnation (then referred to as stagflation because of the simultaneous occurrence of stagnation and inflation). An expansion of militarization, though it was to emerge soon after Reagan was elected with the unleashing of what was to be called the “Second Cold War,” was not itself enough to rev up the accumulation engine; while a full-scale world war of the kind that had lifted the German and U.S. economies, in particular, out of the Great Depression, was unthinkable in the nuclear age. Even a major imperial war on the scale of the Korean War or the Vietnam War seemed off the table at the time.

The only other major potential source of economic stimulus was an expansion of FIRE (finance, insurance, and real estate), which, according to the theory that Baran and Sweezy advanced in *Monopoly Capital*, could serve to stimulate the system by partially soaking up surplus capital.<sup>14</sup> Yet, the rapid growth of finance as a major stimulus to the economy did not appear possible in the spring of 1980. Ironically, Sweezy in “The Crisis of American Capitalism” cited in this regard none other than Alan Greenspan, who had argued only about a month before in the March–April issue of *Challenge* magazine that the system was already dangerously approaching cascading debt defaults, with the prospect of a meltdown in the housing market following a rapid run-up in prices.<sup>15</sup>

Nevertheless, over the next several years it became clear that a sea change was taking place in the U.S. economy. A financial explosion was occurring that represented a qualitative change in the operation of the system—what Sweezy in the 1990s was to call “the financialization of the capital accumulation process.”<sup>16</sup> The fundamental logic behind this process was clear from the standpoint of the Marxian critique of monopoly capitalism.<sup>17</sup> Faced with a shortage of investment outlets, the surplus capital available to corporations and the wealthy increasingly flowed into the financial sector looking for speculative opportunities unrelated to the production of use values. Financial institutions found ways to absorb this increased demand for speculative outlets by supplying an alphabet soup of exotic instruments—all sorts of repackaged futures, options, derivatives, and money-market schemes, leveraged by ever-growing mountains of debt. Central banks took on the institutional role as lenders of last resort, expected to intervene quickly whenever the whole rickety system seemed to be in danger of a credit crunch or financial collapse. The new financial architecture was rapidly globalized and soon began to take on a logic of its own, dominating over production itself.

In May 1983, Harry Magdoff and Sweezy published a landmark article, entitled "Production and Finance," arguing that the financial explosion then taking place was the main factor counteracting stagnation and represented a qualitatively new historical development—since never before had a major financial expansion occurred under conditions of economic slowdown (as opposed to the peak of the business cycle) and on a continuing, long-term basis. What was emerging, they contended, was a huge "financial superstructure" on top of the underlying productive base of the monopoly-capitalist economy. Moreover, there was the possibility that the whole process could go on "for a long time."<sup>18</sup>

Referring to what was to become known as the "wealth effect"—i.e., the stimulus to luxury consumption from financial asset appreciation—they pointed out that:

Recent years...have shown that the financial sector can prosper while the productive sector continues to stagnate. When this happens, the favorable impact of the financial sector on the productive sector is not limited to the increased demand for the latter's products created by more employment and greater profits in the financial sector. There is also the indirect effect of an increase in the value of financial assets held by households and businesses throughout the economy. The *Morgan-Guaranty Survey* for March estimates that "the value of consumer-held stocks, bonds, and liquid assets rose more than \$500 billion in the last half of 1982," obviously wholly a result of activity in the financial sector [since the economy was still in recession]. This should have some stimulating effect on consumer demand, though in the present overall condition of the economy this may show up more in slowing decline than in registering an increase.<sup>19</sup>

To the impetus provided by the wealth effect, stimulating consumer demand among the wealthy, could be added the increase in personal debt—home mortgages, car loans, credit cards, student debt—that allowed enhanced spending in the face of stagnating real income for most workers. Debt of all types (small amounts of which are of course necessary to keep the system functioning smoothly) became one of the major supports for economic growth, increasing from about 150 percent of GDP in 1980 to over 350 percent of GDP just before the Great Recession began.<sup>20</sup> During the same period household debt rose from about 45 percent to 95 percent of GDP. The vast expansion of debt leverage for the increase of speculative instruments, out of all proportion to the underlying "real economy," constituted the essence of the financialization process taking place in these years.

The whole argument on the dialectic of stagnation and financialization was brought together by Magdoff and Sweezy in a book entitled *Stagnation and the*

*Financial Explosion*, published in 1987—the year that Reagan appointed Greenspan chair of the Federal Reserve Board.<sup>21</sup> That same year witnessed the 1987 stock market crash, which shook the entire world economy bringing it to the brink of a global meltdown. Faced with the prospect of financial Armageddon, the Federal Reserve Board under Greenspan issued an unprecedented statement on the morning of the second day of the financial crisis indicating its “readiness as a source of liquidity to support the economic and financial system.”<sup>22</sup> It backed this up with its power in effect to print money, and a complete meltdown was avoided.

Yet that simply meant that the problem was to loom even bigger in the future. It was at this point that the writing was on the wall, making it clear that financialization as a way of combatting stagnation would serve to intensify the structural crisis of the system, without removing the root causes. On the first anniversary of the 1987 stock market crash, Magdoff and Sweezy stated:

It is now clearly only a matter of time before a new break [in the financial system] materializes.... But you may ask, won't the powers that be step into the breach again and abort the crisis before it gets a chance to run its course? Yes, certainly. That, by now, is standard operating procedure and it cannot be excluded that it will succeed in the same ambiguous sense that it did after the 1987 stock market crash. If so, we will have the whole process to go through again and on a more elevated and more precarious level. But sooner or later, next time or further down the road, it will not succeed.... We will then face a new situation as unprecedented as the conditions from which it will have emerged.<sup>23</sup>

Today there is no denying that this was what actually occurred. The expansions of the 1980s and '90s were propelled by financial bubbles, leading to periodic financial crises that were mostly contained before they spread to the entire system. In the twenty years between the 1987 stock market crash and the Great Financial Crisis indications of serious difficulties included: the massive savings and loan bank (thrift) debacle of the late 1980s; the 1992 bursting of the Japanese asset/price bubble; the 1994 Mexican financial crisis; the Asian financial crisis of the late 1990s; the collapse of Long Term Capital Management in the same period; and the 2000 dot-com crash.<sup>24</sup> Jared Bernstein, of the Center of Budget and Policy Priorities, has described the economy of the last few decades as follows: “It's pretty hard to miss the shampoo cycle—bubble, bust, repeat—that has characterized the last few business cycles.”<sup>25</sup>

It was the bursting of the dot-com bubble in 2000, and the fact that the Federal Reserve Board and other central banks were able to pour enough liquidity in the system to reverse most of the damage to wealth-holders within a couple of years—helped enormously by another boost in military spending for



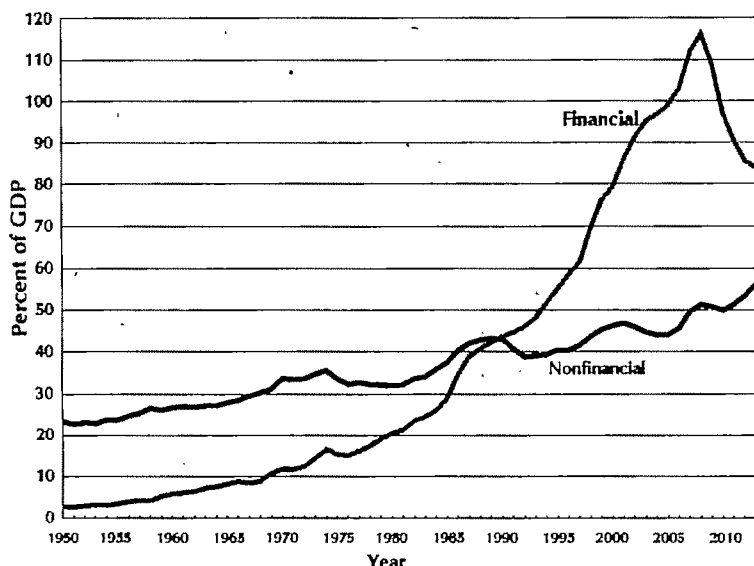
the wars in Iraq and Afghanistan and by the rise of the housing bubble—which led Ben Bernanke, then a member of the Board of Governors of the Federal Reserve Board System, to popularize the notion of the “Great Moderation” in 2004. This stood for the apparent ability of central bankers to tame the business-financial cycle.<sup>26</sup> Two years later, in 2006, Bernanke was appointed chair of the Federal Reserve Board. He immediately raised interest rates, leading in 2007 to the bursting of the housing bubble, and the end to all illusions of a “Great Moderation.”

The result was the “new situation as unprecedented as the conditions from which it...emerged” of which Magdoff and Sweezy had forewarned. Although a full meltdown was avoided and financial wealth as a whole was protected—as a result of the pouring of trillions of taxpayer dollars into corporate coffers—the damage nevertheless was done. The financial system was stabilized eventually at a high level, preserving capital assets, but banks slowed down their lending and the reemergence of another massive bubble to power the economy in the face of continuing weak capital formation was thereby blocked. Monetary policy became largely ineffective in the zero interest rate (liquidity trap) climate. The upshot was that the underlying stagnation in the “real economy” came visibly to the surface, with no apparent recourse for the system aside from further financial bubbles, which were themselves stymied at present.

The magnitude of the great wave of financialization can be seen in chart 1, showing the trends in nonfinancial and financial corporate debt as percentages of national income (GDP). Although nonfinancial corporate debt as a percent of U.S. GDP rose significantly beginning in the 1980s, it was the skyrocketing of financial corporate debt (on the part of banks, insurance companies, pension funds, brokerage agencies, mortgage lenders, hedge funds), in particular, that was central to the huge wave of financialization of 1980 to 2007, helping to promote moderate if slowly declining long-term growth in most of the period. Over the span of less than three decades, financial corporate debt increased from about 20 percent of the GDP to an astounding 116 percent of the GDP. And it was the sharp contraction in financial debt as a share of GDP in the 2007–2009 period that singled the weakening of financialization as an available corrective to stagnation, continuing to the present day.

It is this situation that lies behind what we have called a “stagnation-financialization” trap characterizing recent economic history.<sup>27</sup> Without financial bubbles capitalist growth over the last few decades would undoubtedly have been slower. But like all bubbles they expand until they burst in the end. And when they burst stagnation looms once more.

The decades-long wave of financialization appears to have slowed drastically at present. Financial corporations, in particular, have been reducing their debt

**Chart 1. Nonfinancial and Financial Corporate Debt as a Percent of U.S. GDP**

Source: Outstanding debt of financial and corporate nonfinancial business from U.S. Federal Reserve's Flow of Funds; GDP from St. Louis Federal Reserve FRED Database.

leverage and their lending as a share of GDP. So while the financial system survived pretty much intact, and the amassing of wealth in the financial sector continues, this can be seen as a relative falloff in the financialization process, lessening what has been the major stimulus to the economy in recent decades. As we expressed it in our 2009 book *The Great Financial Crisis*, the long-term structural problem facing the economy revealed by the 2007–2009 meltdown was that of a “general crisis of financialization, beyond which lurked the specter of stagnation.”<sup>28</sup>

All of this suggests that there is a strong built-in disposition in the system to overaccumulation, inequality, crises, and stagnation. In this respect, the inflation of financial assets that has characterized recent economic history can be seen as arising out of the tendency to stagnation within production itself—and hence it is stagnation that is the central economic concern today.<sup>29</sup>

### What Today's Stagnation Looks Like

If the core of the capitalist world economy is now visibly in the grip of

stagnation, with the weakening, at least for the time being, of the financialization process, it is necessary to examine more closely what this means. While financial crises have received a lot of attention in the economic literature of late, economic stagnation and its effects are little understood.

From a working class viewpoint, stagnation presents itself as a tough job market and sluggish or no growth in wages and salaries for workers, with the notable exception of the upper strata of corporate officials and some professionals—as discussed in our article “The Plight of the U.S. Working Class.”<sup>30</sup> The return of stagnation is indicated by the change in the job market. In the 1950s and ‘60s, the official U.S. unemployment rate averaged 4.6 percent, while during the period from 1970 to the present it averaged 6.4 percent. Beyond this rise in unemployment is a rise in underemployment and of the general precariousness of an increasing proportion of the workforce.

Given that the tendency of the system is to enlarge the surplus (value) going to the corporations and the wealthy, an increasing concentration of income and wealth is to be expected. In fact a kind of vicious circle is generated: (1) The inability to absorb a rising surplus held by corporations and wealthy households lowers growth rates and induces stagnation. (2) The vested interests respond to the slowdown by doing everything they can to increase their shares of the social product so as to maintain the rates of return on their individual capitals. (3) This results in an even greater concentration of surplus at the top of the economic pyramid intensifying the overall problem of surplus absorption.

The economic slowdown—or what some have called The Great Stagnation, a term that goes back to the early 1980s—has thus led to a much larger slice of the economic pie being appropriated by the wealthy with a much smaller slice leftover for workers.<sup>31</sup> This is evident not only in income and wealth statistics but also in the increases in hunger, declining health, rising homelessness, burgeoning personal bankruptcies and mortgage defaults, and loss of homes affecting large portions of the population. These are very difficult times for a large segment of the working class, especially so for the large pool of un- and underemployed in the reserve army of labor. Slow

recovery of jobs lost during recessions is becoming more and more of a problem, leading to what have been called “jobless recoveries” (see Table 1). Coming out of the recent recessions, the economy grows, but not fast enough to create

**Table 1. Years to Recover Jobs Lost During**

| Year recession starts | Years to recover lost jobs |
|-----------------------|----------------------------|
| 1940s–1970s           | < 2.0                      |
| 1981                  | 2.3                        |
| 1990                  | 2.8                        |
| 2001                  | 3.9                        |
| 2007                  | 6.1 + *                    |

\* Lost jobs not fully recovered at time of writing.  
Source: U.S. Bureau of Labor Statistics (BLS), “Nonfarm Employees,” series CES0000000001, <http://data.bls.gov>.

sufficient jobs for all that want and need work. In each recovery it has taken a long time just to regain the jobs lost during the recession—a phenomenon that has worsened over the last three decades.

The same trend can be seen when comparing growth of GDP following recessions. In the first quarter century after the Second World War, triad economies rebounded quickly from recessions, which is the reason that jobs recovered so rapidly. But the economy has only slowly limped back following the last three recessions—those that began in 1990 (following the savings and loan bank crisis), 2001 (following the bursting of the dot-com stock bubble), and 2007 (following the bursting of the housing bubble).

Comparing economic growth between the 1950s and '60s with the subsequent decades, the real GDP growth rate slows down from over 4 percent in the 1950s and '60s, to around 3 percent for the 1970s to '90s, to less than 2 percent for the 2000s. (It is worth noting that the average annual real GDP growth in the 1930s was 1.3 percent.) GDP is reported on a quarterly basis and, thus, short spurts of growth are discernable. It is therefore possible to determine that these diminished annual growth rates are not due to far more quarters of slow growth, but rather result from far fewer quarters of very high growth during which capital accumulation achieved escape velocity. High rates of real GDP growth were very common during the 1950s and '60s, comprising some 35 to 40 percent of the quarters during those decades, compared with 20 to 25 percent in the 1970s and 1980s, 10 percent in the 1990s, and less than 4 percent of the time during the 2000s (see chart 2).

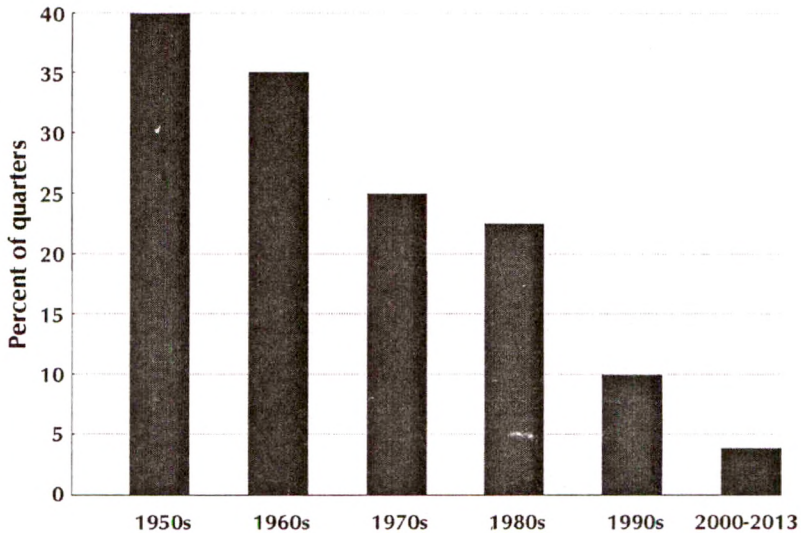
The U.S. Bureau of Economic Analysis estimates the contributions of the various spheres to the change in GDP. In order for there to be more production of goods and services (GDP) during the next period than in the current one, there must be a cumulative positive effect (increase) in the sum of the following:

- A. Amount of capital invested by business firms in facilities and equipment (creating jobs by the investment itself and then later subject to a multiplier effect as expanded or new businesses hire workers to utilize the added capacity) and to build up inventories,
- B. Personal expenditures by the public for consumer goods, services, and housing, etc.
- C. Net exports of goods and services, and
- D. Federal, state, and local government consumption and investment spending.

In other words, the *change* in GDP is the *sum of the changes* in  $A+B+C+D$ . This relationship between the various components of aggregate demand (excluding C or net exports) can be seen in Chart 3, which covers the period of the last three recessions, from 1990 to the present. GDP in current dollars (used to calculate the lines in Chart 3) rarely declines, although it does when corrected for inflation. It is this decline in real GDP



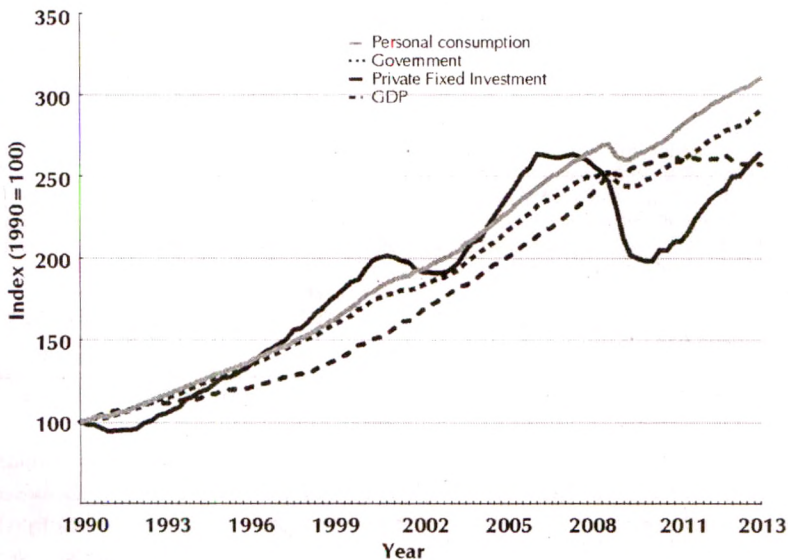
**Chart 2. Quarters with 6 Percent or Greater Real GDP Growth  
(Annual Basis)**



Source: Bureau of Economic Analysis NIPA Table 1.1.2. Contributions to Percent Change in Real GDP.

that helps to define a recession. But during the Great Recession even nominal GDP declined. The periods of no, slow, moderate, and rapid growth can be separated out and the contributions to GDP from the various categories assessed. (It is important to recognize that these statistics are all *ex post* and therefore do not tell us the *ex ante* causal relations, e.g. intended as opposed to actual savings/investment.) ✓

Although personal consumption is huge, accounting for about two thirds of GDP, it does not vary as greatly from period to period as does investment (as clearly indicated in both Chart 3 and Table 2). Government spending (local, state, national) provides a floor under the economy. However, this floor has actually receded in relation to GDP since the Great Recession, as austerity cutbacks have increasingly been imposed, limiting the growth of public spending on goods and services. (It should be noted that transfer payments, including unemployment compensation, are not included in the government expenditures on consumption and investment shown in Chart 3, since they are simply transferred from one part of the private sector to another and are not part of the government's own spending. Nevertheless, the

**Chart 3. Index of GDP and Government\*, Personal Consumption, and Private Fixed Investment Expenditures, 1990–2013**

\*Federal, state and local government consumption expenditures and gross investment.

Sources: Indexes derived from Bureau of Economics National Income and Products Accounts (NIPA) Table 1.1.5 and GDP.

existence of such transfers helps to support consumption and thus to cushion overall effective demand during a downturn.)

Despite the importance of both personal consumption and government spending, private investment's contribution to the GDP growth varies the most and is most critical to future growth prospects. The fall in private investment during recessions drags down GDP growth. Conversely, rapidly increasing private investment during recoveries stimulates spurts of GDP growth.

### Surplus Absorption and Capital Investment

One reason that business investment or capital accumulation, with its ups and downs, has generally been sluggish for many years is because of the unused capacity in the economy. For a period of time in the 1960s and '70s, capacity utilization in manufacturing was around 85 percent. But during the 1980s it fell to about 80 percent, and during the 1990s it increased only marginally to approximately 81 percent. Over the last decade (through 2013) it has plummeted to an average of 75 percent. Corporations with significant

**Table 2. Percent Contributions to Real GDP During Quarters with Varying Growth Rates, 1947–2013 (expressed as annual values)\***

| Real GDP growth range (annual basis) | Gross private domestic investment | Personal consumption | Net exports | Government (federal for defense) |
|--------------------------------------|-----------------------------------|----------------------|-------------|----------------------------------|
| <0%                                  | -3.8                              | 0.2                  | 0.4         | 0.2 (-0.2)                       |
| 0-1.9%                               | -0.7                              | 1.6                  | -0.2        | 0.3 (0.0)                        |
| 2.0–3.9%                             | 0.6                               | 2.0                  | -0.1        | 0.5 (0.1)                        |
| 4.0–5.9%                             | 1.6                               | 2.6                  | 0.0         | 0.6 (0.1)                        |
| >6%                                  | 4.3                               | 3.5                  | -0.5        | 1.3 (0.6)                        |

\*Of the 267 quarters, from second quarter 1947 to the fourth quarter 2013, 15 percent had < 0 percent real GDP growth; 17 percent had from 0 to 1.9 percent real GDP growth; 29 percent had from 2 to 3.9 percent real GDP growth; 17 percent from 4 to 5.9 percent real GDP growth; and 22 percent were > 6 percent in real GDP growth. During the entire period real GDP growth averaged 3.2 percent on an annual basis and the contributions to this of gross private domestic investment was 0.8 percent, personal consumption averaged 2.1 percent, net exports averaged -0.1 percent, government expenditures averaged 0.8 percent (of which federal spending for defense was 0.2 percent), and change in private inventories averaged 0.1 percent.

Source: Calculated from Bureau of Economic Analysis NIPA Table 1.1.2 Contributions to Percent Change in Real Gross Domestic Product.

amounts of unused capacity usually do not make large investments in new capacity.<sup>32</sup>

Consequently, U.S. businesses are sitting on literally trillions of dollars both here and abroad (an estimated \$2 trillion held abroad by U.S.-based multinational corporations is not repatriated because of the tax implications). This pile of cash and cash equivalents in the hands of U.S. firms has been accumulating by ten percent a year from 1995 through 2010—resulting in a hoard of nearly \$5 trillion, equivalent to approximately one-third of the annual GDP.<sup>33</sup> In the fourth quarter of 2013 after-tax profits of corporations as a percentage of GDP hit a record of 11.1 percent, about twice their average percentage for the 1990s, causing the *Wall Street Journal* to indicate that high profit margins accompanying low investment were a major problem of the economy.<sup>34</sup>

An indication of just how serious the whole problem of surplus absorption, in relation to investment opportunities in particular, has now become, is that over the last decade the net operating surplus (after most costs have been paid and depreciation accounted for) of private enterprises in the U.S. economy has averaged 24 percent of the GDP. In 2012 it came to over \$4 trillion.<sup>35</sup>

When firms do use this money, as opposed simply to piling up cash, it is frequently to pay dividends to stockholders, buy up other companies, or else to buy company stock in the hope of driving share prices up: a pure speculative endeavor. In 2013 corporations authorized \$755 billion to buy back shares of stock.<sup>36</sup> Failure to absorb the enormous economic surplus and its use instead for speculation means that the actual rate of growth of the economy slows down in relation to its potential rate of growth. To the extent that corporations do continue to invest in this kind of economic environment it often serves to



displace labor and decrease their unit costs of production, increasing the overall surplus at their disposal. The capital formation that does occur under these circumstances is therefore unable to lift the economy out of its general listlessness.

In light of the overall tendency to the overaccumulation of capital in which capital becomes the barrier to its own advance, and recognizing that the growth of the economy has slowed down over the last half-century, it should come as no surprise that the trend-rate of growth of investment, the motor force of the economy, has decreased dramatically during this time. The average annual rate of growth in real gross nonresidential fixed investment has plummeted from the 1960s and '70s to the present, especially investment in structures and equipment (Table 3).

**Table 3. Average Annual Growth Rate in Real Gross Private Nonresidential Investment, 1960–2013 (percent)**

| Real GDP growth<br>range (annual basis) | Gross private<br>domestic investment | Personal<br>consumption | Net exports | Government<br>(federal for defense) |
|-----------------------------------------|--------------------------------------|-------------------------|-------------|-------------------------------------|
| 1960s–1970s                             | 6.4                                  | 4.7                     | 7.6         | 6.9                                 |
| 1980s–1990s                             | 5.2                                  | 1.3                     | 6.4         | 8.5                                 |
| 2000–2013                               | 2.3                                  | 0.4                     | 3.4         | 3.3                                 |

Source: Bureau of Economic Analysis NIPA Table 1.1.1. Percent Change From Preceding Period in Real GDP.

The above figures, it should be emphasized, refer to *gross* nonresidential investment, including both capital spending out of depreciation funds and new net investment. At the same time that *gross* investment as a whole has stagnated, the share of *net* nonresidential fixed investment has suffered a decline from an average of nearly 40 percent of total non-residential gross investment in the late 1960s and early '70s to less than 16 percent over the last (available) decade (2003–2012)—a phenomenon that has been called “the atrophy of net investment.”<sup>37</sup> More and more of total gross investment is thus being paid for out of depreciation funds set aside merely for replacing worn-out plant and equipment and less and less therefore constitutes new net investment. Since the new plant and equipment introduced by such replacement investment is invariably more efficient than the old, the result is to expand productive capacity even with little or no new net investment taking place, effectively limiting outlets for new net capital formation. All of this represents a worsening of the overall problem of overaccumulation.<sup>38</sup>

### Is There a Way Out?

It is not at all clear how and when, if ever, the U.S. and the other mature capitalist economies can break out of the stagnation-financialization trap. An economy characterized by “secular stagnation,” Summers told the *Washington Post* in January 2014, “is likely to be bubble-prone.”<sup>39</sup> This means that,



lacking other external forces of propulsion, the economy tends to oscillate between outright stagnation and periods of financial exuberance associated with rampant speculation, generating moderate growth for a time until the bubble inevitably bursts and stagnation, which has been held partly in abeyance, resurfaces.

New capital formation, the most dynamic portion of the economy, the one that has the largest potential influence on future growth, is in the doldrums. Corporations hesitate to add to new capacity and when they do most of what they spend, as we have seen, comes out of depreciation funds. Although a new technology or group of technologies might arise to cause a break out from stagnation, they would need to be of such import and have such economy-wide implications as to generate a large burst of self-propelling economic growth and job creation.

The computer and other digital-age innovations have certainly changed how we communicate, work, and shop. However as new businesses have evolved based on these technologies, they tend not to hire huge numbers of people, in comparison to previous transformative technologies (such as the automobile). As Tyler Cowen wrote in *The Great Stagnation*:

Most Web activities do not generate jobs and revenue at the rate of past technological breakthroughs. When Ford and General Motors were growing in the early part of the twentieth century, they created millions of jobs and helped build Detroit into a top-tier U.S. city. Today Facebook creates a lot of voyeuristic pleasure, but the company does not employ many people and has not done much for Palo Alto; a lot of "work" is performed more or less automatically by the software and the servers. You could say that the real work is done by its users, in their spare time and as a form of leisure.<sup>40</sup>

In 2013 Apple had about 80,000 employees worldwide, Google (in its own standalone business, not including Motorola and other subsidiaries) around 40,000, and Facebook about 4,600.<sup>41</sup> In early 2014, Facebook purchased WhatsApp, a mobile-messaging company that has fifty-five employees, for \$19 billion. In fact, the computer, smart phone, and advanced robotics appear to destroy plenty of jobs (by replacing people directly or by assisting the offshoring of businesses) and many of the jobs directly created by their production are in other countries. Mass electronic retailers are also exhibiting a strong potential to generate a net loss of jobs. "According to a recent study of U.S. Census data by the Institute for Local Self-Reliance, in Washington, brick-and-mortar retailers employ forty-seven people for every ten million dollars in revenue earned; Amazon employs fourteen."<sup>42</sup> A University of Oxford study has estimated that, with the combination of advances in artificial intelligence and mobile robots, approximately half of all

U.S. jobs could be at risk over the next few decades.<sup>43</sup> Whatever their net effect on jobs—and at this point the effect appears to be negative and getting more so—these technological innovations have not been sufficient and of the right type to put the economy on a new rapid growth trajectory.

Its success at generating net exports has been part of the explanation for the relative strength of Germany's economy. But every country cannot become a net exporter—it is, of course, logically and mathematically impossible. With the exception of a short period in the early 1990s (coinciding with a recession), the United States since the early 1980s has been a net importer of goods and services.

One temporary “answer” to stagnation, as we have seen, is the expansion once again of the financial system. But there the effects of the crisis still linger. The dominant perspective on the financial problem in the advanced capitalist states is that a period of “austerity” is needed whereby cash flows in the “real economy” are systematically redirected to the financial sector, increasing the liquidity of the latter, while simultaneously a period of slow deleveraging within finance occurs, further increasing the ratio of assets to liabilities. A major part of this overall strategy involves reducing government debt, so as to strengthen the capacity of the state to fulfill what in the eyes of the financial elites is now its primary role: as lender of last resort for firms deemed “too big to fail.” Presumably, such changes in the overall ratio of assets and liabilities will eventually set up the economy for a new period of financial expansion. Yet, such financial restructuring is a slow process and has the negative effect of worsening in many ways the overaccumulation tendencies of the system—while future bubbles are likely to be bigger and more dangerous than before.

Progressives are inclined to insist that the immediate answer to these problems is financial reform, involving greater regulation of the financial system—under the erroneous supposition that the recent economic downturn had its root source in hyper-speculation and not in the weakness of the capital accumulation process itself. This fails to recognize the role that the surge of financialization played in lifting the economy from the 1980s to 2007. Financial deregulation in this period was not mainly the product of mere greed and corruption, as is sometimes supposed, nor was it based simply on faulty economic principles; rather it had as its object the further expansion of existing financial bubbles. No financial regulators wanted a major financial bubble to burst on their watch—so when the financial institutions demanded deregulation which would give them more slack and allow them to expand into new, previously restricted markets, they were given all they asked for and frequently much more.

Thomas Palley in *From Financial Crisis to Stagnation* has called this “the paradox of financial reform,” since reform of the kind that actually “stabilizes the [financial] system also stands to deepen the tendency to stagnation...by limiting the possibilities for [financial] exuberance.” As Krugman bluntly puts



it: "Even improved financial regulation is not necessarily a good thing" since "it may discourage irresponsible lending and borrowing at a time when more spending of any kind is good for the economy." All of this then constitutes a strong institutional bias toward financial deregulation rather than financial regulation and goes against meaningful reform.<sup>44</sup>

Are we saying then that there is absolutely nothing that can be done? Far from it. Rather our argument is that there are no easy choices compatible with the system anywhere in sight, while the overall structural crisis is worsening, reducing the efficacy of purely reformist solutions. Although some advocate a Keynesian growth path, whereby the government takes the lead in boosting employment by promoting effective demand—the most popular version today is government spending on green jobs and alternative energy technology—this no longer represents an acceptable policy response from the standpoint of today's highly financialized capitalist class and world financial markets.<sup>45</sup>

Today's plutocratic system is one in which the rentiers have triumphed (rather being euthanized as Keynes suggested), now dominating over both economy and state.<sup>46</sup> It is also one in which the global labor arbitrage of multinational corporations—i.e., the displacement of industry to those areas of the globe with the lowest unit labor costs, allowing imperial rent to be seized by a handful of giant firms—now rules over world production.<sup>47</sup> Under these conditions old-fashioned Keynesian demand management—in which a full-employment economy is predicated on the growth in aggregate demand and overall profits resulting from the increased employment—has little chance of getting off the ground.

A persistent full-employment economy, moreover, is perceived as a threat to the capitalist class, since it would empower workers.<sup>48</sup> This reflects the ominous fact from a capitalist standpoint that, as noted Cambridge economist and one of Keynes's younger colleagues, Joan Robinson, famously observed: "Any government which had both the power and the will to remedy the major defects of the capitalist system [such as persistent unemployment] would have the will and the power to abolish it altogether."<sup>49</sup>

State policies aimed at decreasing income inequality constitute another progressive strategy that is often justified along Keynesian lines of promoting effective demand and economic growth, but which falls prey to many of the same contradictions. Lower-income households generally spend a larger portion of their income than do the very wealthy. Thus the economy could theoretically be stimulated if money were transferred from the rich to low-income workers—through taxation and social programs or through increased wages (which would decrease the profit share going to the wealthy but not aggregate profits if the economy expands). Although an increase in the minimum wage appears to be politically feasible—and this would help an estimated 16 million workers—such an increase if implemented would be too

minuscule in relation to the economy as a whole to have a discernible effect on the distribution of income, much less the stimulation of overall demand. Remedies that attempt to work through the existing order—for example through larger taxes on upper-income brackets and the allocation of these funds for social uses—are necessarily directed at very mild ameliorative reforms of the system, avoiding altogether the central problem of class-based capital accumulation. Consequently, even if adopted, they end up going nowhere—as far as the problem of surplus absorption is concerned. Needless to say, anything approximating equality of income is incompatible with the wage-profit system.

But the mere fact that there is no way out of the contradictions of capitalism that is acceptable to the system itself, or in conformity to its logic, does not mean that a truly radical change, emerging out of a revolt from below, could not materially alter things for the better. Indeed, as István Mészáros observed in *Beyond Capital*, “the road to the establishment of the new institutions of social control” needed in today’s society “must lead through a radical *emancipation of politics from the power of capital*.”<sup>50</sup> This means that other political-economic logics not congruent with the system must be considered. What, then, might such radical measures, reflecting the political economy of the working class rather than the political economy of capital, look like?<sup>51</sup>

In his influential new work *Capital in the Twenty-First Century*, Thomas Piketty insists that a key contradiction of today’s economy is what he calls (based on Marx) “the principle of infinite accumulation.” It is this drive to endless accumulation within capitalism which has led to today’s “hyperconcentrated wealth” and all the irrationalities that have come with it. Piketty insists that in these circumstances a “useful utopia” is to envision a “global tax on capital,” or, more specifically, “a progressive annual tax on individual wealth.”<sup>52</sup> Michał Kalecki in 1937 was the first to develop a comprehensive argument for a wealth tax as a way of combating monopolistic accumulation.<sup>53</sup> Today Piketty sees a capital-tax strategy as the only real alternative to an actual revolution against capitalism. He contends that such a global tax on capital—or the implementation of similar taxes at the national level—would not only restrain the current dysfunctional tendency to amass larger and larger shares of wealth at the top of the economic pyramid, but would also allow for the creation of a “social state” meeting social needs.<sup>54</sup>

A more straightforward approach to the same end is simply to focus on the primary social aims, putting the most essential needs of people and the environment before profits. Here “the alternative to stagnation” is to provide “jobs...for the unemployed, food for the hungry, houses for homeless, adequate health care and income security and a decent environment for all of us.” The implementation of these and other human and collective goals could

be made the “highest priority” to which all special interests would be subordinated.<sup>55</sup>

Historically, in the United States such demands arose in the later, more radical part of the New Deal, which proposed an “economic bill of rights” along these lines, and in the Civil Rights Movement in the 1960s, which put forward a “Freedom Budget” in 1965, arising out of the 1963 March on Washington. Recently Paul Le Blanc and Michael Yates have sought to revive this idea in *A Freedom Budget for All Americans*, building on the original Freedom Budget. They advance twelve “basic objectives” that would guide a “New Freedom Budget” for our times: “(1) full employment; (2) adequate income for all who are employed; (3) a guaranteed minimum adequacy level of income for those who cannot or should not work; (4) adequate and safe housing for all; (5) health care for all; (6) educational opportunity for all; (7) [a] secure and expanded transportation infrastructure; (8) [a] secure and expanded Social Security; (9) food security for all; (10) a sustainable environment; (11) cultural freedom and enrichment for all (arts, parks, sports, recreation); and (12) reduction in the inequality of income and wealth to ensure realization of objectives.”<sup>56</sup> This would clearly require the demilitarization of society and the dismantling of imperialist institutions.

Le Blanc and Yates insist that there are no purely financial constraints on proceeding with such a massive social program in the U.S. context. They point to the estimates of economists Linda Bilmes and Joseph Stiglitz showing that the U.S. wars in Iraq and Afghanistan cost \$3 trillion; to the federal government’s spending of hundreds of billions of dollars on the fiscal stimulus in response to the Great Recession; and to the Federal Reserve Board’s pumping of trillions of dollars of liquidity into the economy in the bailout of the financial sector in the wake of the Great Financial Crisis—effectively printing money. Decades of reductions of corporate and income taxes could also be reversed.<sup>57</sup>

However, the relations of power today—with the state more than ever the state of the capitalist class—guarantee that no top-down initiative to promote such objectives will occur. Radical change in this direction will come primarily from the bottom and will require a struggle that must today be revolutionary in spirit.

Indeed, viewed from a wider historical standpoint than that offered by the capitalist economy itself—one in which global humanity reemerges as a world-historical force—it is possible to envision revolutionary social transformations arising from mass action driven by the force of a common necessity. Such radical revolts against the system are likely to emanate initially from the global South (Toynbee’s “external proletariat”). But popular upsurges in the center (the “internal proletariat”) are also essential.<sup>58</sup> If by means of such struggles the rules of the game were to be changed—or the game itself were to be altered—a whole



new world of previously unimagined social possibilities would arise.

Nevertheless, it should be added that such major social transformations are partly constrained in today's world by the fact that they would have to remain within the limits to growth imposed by the planetary environment. Under the capitalist grow-or-die system accumulation must expand at a rapid pace in order for there to be sufficient demand for labor to generate anything near a full-employment economy. However, economic growth puts additional strain on the earth system and for this reason perpetual growth is impossible. The contradiction between a growth rate that is *too low* for a "healthy" economy, while at the same time *too high* to maintain a sustainable relation to the planet, is not a contradiction of our analysis but of capitalism itself. It underscores the fact that the only way out of the world's current predicament is through radical system change.<sup>59</sup>

A new epoch of world-historical transformation is now essential if we are to address the combined sources of the epochal crisis of our time, encompassing not only the effects of economic stagnation on workers but also the most pressing problem of all: the rapid destruction of the planet as a place of habitation for humanity and countless other species. Under these conditions, the *principle of infinite accumulation* for the benefit of a very few will necessarily have to give way to the *principle of enough* for all—extending to the entire "chain of human generations."<sup>60</sup>

## Notes

1. William Morris, "The Depression of Trade," in *The Unpublished Lectures of William Morris* (Detroit: Wayne State University Press, 1989), 123.
2. On the Eurozone crisis see Costas Lapavistas, *Profiting Without Producing: How Finance Exploits Us All* (London: Verso, 2013), 288–300.
3. Lawrence Summers, Speech to the IMF Fourteenth Annual Research Conference, November 8, 2013, <http://larrysummers.com>; Alvin H. Hansen, *Full Recovery or Stagnation?* (New York: W.W. Norton, 1938), 289; and "The Stagnation Thesis," in American Economic Association, ed., *Readings in Fiscal Policy* (Homewood, IL: Richard D. Irwin, 1955), 540–57. See also John Bellamy Foster, "What Is Stagnation?" in Robert Cherry, et. al., *The Imperiled Economy: Macroeconomics from a Left Perspective* (New York: Union for Radical Political Economics, 1987), 59–70. On the origins of the stagnation debate in the 1930s see William E. Stoneman, *A History of the Economic Analysis of the Great Depression* (New York: Garland, 1979).
4. Lawrence Summers, "Why Stagnation Might Prove to be the New Normal," *Financial Times*, December 5, 2013, <http://ft.com>.
5. Paul Krugman, "Secular Stagnation, Coalmines, Bubbles, and Larry Summers," *New York Times* blog (November 18, 2013), <http://krugman.blogs.nytimes.com>.
6. Summers, "Why Stagnation Might Prove to be the New Normal."
7. Hansen's theory is discussed by Krugman as if it merely emphasized demographic factors, not issues such as industrial maturity, monopoly, and inequality. Stagnation is seen by both Summers and Krugman primarily as a result of a long-term desire on the part of investors for negative interest rates, presenting a constant liquidity trap problem—an explanation that at best simply pushed the question back one step further without providing a real explanation. Krugman also points to Robert Gordon's argument on the weakening of innovations. (See Robert Gordon, "Is U.S. Economic Growth Over? Faltering Innovation Confronts the Six Headwinds," National Bureau of Economic Research Working Paper 18315, August 2012, <http://nber.org>.) In all of this the fundamental historical problem of capital accumulation is not addressed.
8. Krugman, "Secular Stagnation, Coalmines, Bubbles, and Larry Summers."
9. Paul M. Sweezy, "The Crisis of American Capitalism," *Monthly Review* 32, no. 5 (October 1980): 2–3.
10. Sweezy, "The Crisis of American Capitalism," 3.
11. See John Bellamy Foster and Henryk Szajfer, eds., *The Faltering Economy: The Problem of Accumulation Under Monopoly Capitalism* (New York: Monthly Review Press, 1984).
12. Hansen, "The Stagnation Thesis," 551–52; Paul M. Sweezy, *Four Lectures on Marxism* (New York: Monthly

- Review Press, 1981), 36–39.
13. Sweezy, "The Crisis of U.S. Capitalism," 4–6; Paul M. Sweezy, "Why Stagnation?," *Monthly Review* 34, no. 2 (June 1982): 7.
14. Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), 139–41.
15. Sweezy, "The Crisis of American Capitalism," 6–7; Alan Greenspan, "The Great Malaise," *Challenge* 23, no. 1 (March–April 1980): 37–40.
16. Paul M. Sweezy, "More (or Less) on Globalization," *Monthly Review* 49, no. 4 (September 1997): 3.
17. Harry Magdoff and Sweezy had begun looking at the long-run decline in liquidity in the U.S. economy and its relation to the theory of monopoly capital as early as the mid 1960s, and carried this analysis forward in a number of prescient articles through the 1970s, even prior to what we are calling here "The Great Financialization," which can be seen as beginning in earnest in the 1980s. On their earlier analyses of this phenomenon see Paul M. Sweezy and Harry Magdoff, *The Dynamics of U.S. Capitalism* (New York: Monthly Review Press, 1972) and Harry Magdoff and Paul M. Sweezy, *The End of Prosperity* (New York: Monthly Review Press, 1977).
18. Harry Magdoff and Paul M. Sweezy, "Production and Finance," *Monthly Review* 35, no. 1 (May 1983): 1–11.
19. Magdoff and Sweezy, "Production and Finance," 11. The concept of a wealth effect—or increases in consumption associated with increases in wealth (measured in asset values), as referred to by Magdoff and Sweezy here—has come to play a large role in accounting for the real effects of financial bubbles on growth in GDP, and for the recent housing bubble, in particular, which was seen as based on a housing wealth effect. See Dean Baker, *The End of Loser Liberalism* (Washington, DC: Center for Economic and Policy Research, 2009), 18; Christopher D. Carroll and Xia Zhou, "Measuring Wealth Effects Using U.S. State Data," paper presented at Federal Reserve Board of San Francisco Conference on Empirical Macroeconomics Using Geographical Data, March 18, 2011, <http://frbbsf.org>.
20. John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis* (New York: Monthly Review Press, 2009), 121–22.
21. Harry Magdoff and Paul M. Sweezy, *Stagnation and the Financial Explosion* (New York: Monthly Review Press, 1987).
22. Federal Reserve Board statement, quoted in Harry Magdoff and Paul M. Sweezy, *The Irreversible Crisis* (New York: Monthly Review Press, 1988), 44–45. As Magdoff and Sweezy noted here the term "meltdown" came to be used to describe the possible effects of financial crises following the 1987 stock market crash.
23. Harry Magdoff and Paul M. Sweezy, *The Irreversible Crisis* (New York: Monthly Review Press, 1988), 78. A similar radical change in perspective took place in the work of Hyman Minsky in response to the 1987 Stock Market Crash, causing him to introduce his notion of "money manager capitalism" as a new perilous phase in the development of the system. See Hyman P. Minsky, "Financial Crisis and the Evolution of Capitalism: The Crash of '87—What Does It Mean?," in Mark Gottdiener and Nicos Komninos, eds. *Capitalist Development and Crisis Theory* (London: Macmillan, 1989): 391–403.
24. See John Bellamy Foster and Robert W. McChesney, *The Endless Crisis* (New York: Monthly Review Press, 2012), 4.
25. Jared Bernstein, "Structural Stagnation, Bubbles, and the Volcker Rule," *On the Economy* blog, December 10, 2013, <http://jaredbernsteinblog.com>.
26. Ben S. Bernanke, "The Great Moderation," Address to the Eastern Economic Association, February 20, 2004, <http://federalreserve.gov>; Thomas I. Palley, *From Financial Crisis to Stagnation* (Cambridge: Cambridge University Press, 2012), 132–33, 195.
27. Foster and McChesney, *The Endless Crisis*, 4.
28. Foster and Magdoff, *The Great Financial Crisis*, 88.
29. On financial inflation see Jan Toporowski, *Why the World Economy Needs a Financial Crisis and Other Critical Essays on Finance and Financial Economics* (London: Anthem Press, 2010), 43–61.
30. Fred Magdoff and John Bellamy Foster, "The Plight of the U.S. Working Class," *Monthly Review* vol. 65, no. 8 (January 2014): 1–22.
31. The term "The Great Stagnation," to describe the long-term slowdown in the economy was first used, to our knowledge by MIT economist Lester Thurow. See Lester C. Thurow, "The Great Stagnation," *New York Times Magazine*, October 17, 1982. Although pointing to the chronic failure of conventional views to consider the possibility of stagnation, Thurow did not himself provide a theoretical explanation for this phenomenon (beyond very vague Keynesian notions), nor go back to earlier theories on secular stagnation. In contrast, Magdoff and Sweezy, from a Marxian standpoint, were already pointing to the reality that the "1970s (represented) the decade in which the Great Stagnation set in"; and that history had shown that it was impossible to overcome this through a simple Keynesian stimulus, as advocated by Thurow. See Harry Magdoff and Paul M. Sweezy, "Listen, Keynesians!," *Monthly Review* 34, no. 8 (January 1983): 1–11. More important than deficit spending in stimulating the economy, Magdoff and Sweezy argued in that article, was the vast expansion of private debt, which could not, however, provide an escape from the fundamental problem. More recently, the phrase "The Great Stagnation" has gained considerable currency post-Great Recession due to its use in a similar way to Thurow's in Tyler Cowen, *The Great Stagnation* (London: Penguin, 2011).
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  38. On depreciation funds and investment see Baran and Sweezy, *Monopoly Capital*, 99–104; Vatter and Walker, *The Inevitability of Government Spending*, 6–8, 113.
  39. Ezra Klein, "Larry Summers on Why the Economy Is Broken—And How to Fix It," *Washington Post* blog, January 14, 2014, <http://washingtonpost.com/blogs>.
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  41. "Apple's 2013 Annual Report," October 30, 2013, <http://macrumors.com>; Google Investor Relations, "Google Inc. Announces Third Quarter 2013 Results," October 17, 2013, <https://investor.google.com>; "Facebook Will Grow Headcount Quickly in 2013," January 30, 2013, <http://techcrunch.com>.
  42. George Packard, "Amazon is good for customers. But is it good for books?," *New Yorker*, February 17, 2014, <http://newyorker.com>.
  43. Aki Ito, "Your Job Taught to Machines Puts Half U.S. Work at Risk," Bloomberg, March 12, 2014, <http://bloomberg.com>.
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  46. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1973), 376.
  47. Foster and McChesney, *The Endless Crisis*, 137–43; Samir Amin, *Three Essays on Marx's Value Theory* (New York: Monthly Review Press, 2013), 67–76.
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  50. István Mészáros, *Beyond Capital* (New York: Monthly Review Press, 1985), 893.
  51. On "the political economy of labor" versus the "political economy of property" see Karl Marx, *On the First International* (New York: McGraw Hill, 1973), 5–12.
  52. Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, MA: Harvard University Press, 2014), 7–11, 336, 515–17.
  53. Michel Kalecki, *Selected Essays on the Dynamics of the Capitalist Economy* (Cambridge: Cambridge University Press, 1971), 35–42. For a discussion of Kalecki's argument on wealth taxation and monopolistic accumulation see John Bellamy Foster, *The Theory of Monopoly Capitalism* (New York: Monthly Review Press, 1986), 133–36.
  54. Piketty, *Capital in the Twenty-First Century*, 471–82, 531–32.
  55. Magdoff and Sweezy, *Stagnation and the Financial Explosion*, 88–90.
  56. Paul La Blanc and Michael D. Yates, *A Freedom Budget for All Americans* (New York: Monthly Review Press, 2013), 224–25.
  57. La Blanc and Yates, *A Freedom Budget for All Americans*, 232–33; Linda Bilmes and Joseph Stiglitz, *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (New York: W.W. Norton, 2008).
  58. Arnold J. Toynbee, *A Study of History*, vol. 1 (Abridgement of Volumes I–VI) (Oxford: Oxford University Press, 1946), 11–13, 375–79.
  59. See Fred Magdoff and John Bellamy Foster, *What Every Environmentalist Needs to Know About Capitalism* (New York: Monthly Review Press, 2011), 37–60.
  60. Karl Marx, *Capital*, vol. 3 (London: Penguin, 1981), 754.



# China's Grain Production

## *A Decade of Consecutive Growth or Stagnation?*

Zhun Xu, Wei Zhang, and Minqi Li

Some progressive writers have argued that while China's agricultural privatization achieved short-term gains, it did so by undermining long-term production facilities such as the infrastructure and public services built in the socialist era.<sup>1</sup> Environmental scholars have questioned the sustainability of the Chinese agriculture. In a report published in 1995, Lester R. Brown raised the question: "Who will feed China?" He argued that the Chinese population's changing diet, shrinking cropland, stagnating productivity, and environmental constraints would lead to a widening gap between China's food supply and demand, a gap the world's leading grain exporters would not be able to fill.<sup>2</sup>

China's official statistics showed that the country's grain production declined from 512 to 431 million tons between 1998 and 2003. However, according to the Chinese government, since 2004 it has achieved "ten years of consecutive growth" in grain production. According to the official statistics, China's grain production reached 602 million tons in 2013, nearly 40 percent above the 2003 level.

While the official statistics claim grain production has grown rapidly, China's surging imports of cereals and soybean suggest that its grain production has struggled to catch up with demand. From 2000 to 2012, China's cereal imports rose from 3 to 14 million tons, and soybean imports<sup>3</sup> rose from 13 to 59 million tons. In 2012, China's cereal imports accounted for 5 percent of the world grain exports, and its soybean imports accounted for 61 percent of the world soybean exports.<sup>3</sup>

This article argues that China's actual grain production levels may be substantially lower than the officially reported levels; in fact, grain production has stagnated since the late 1990s. China's growing dependence on imports to meet its demand for grains will impose increasingly untenable pressure on the world grain market. In the long run, China's grain supply may be further

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undermined by constraints of land and water resources as well as environmental degradation.

In recent years, some Chinese agricultural experts have questioned the reliability of China's official grain production statistics, and the second section discusses their opinions. The third section estimates China's total uses of domestically produced grains; it is argued that the estimated total uses can be a good proxy of China's grain production levels. China's official statistics may have overestimated China's actual grain production level in 2012 by about 100 million tons. The fourth section considers the long-term challenges to China's food supply, and the last section comments on China's privatized agricultural system.

### Did China Produce 600 Million Tons of Grain?

According to the Chinese official statistics, China's grain production reached a record level of 602 million tons in 2013, marking the tenth year of consecutive growth starting from 2004.<sup>4</sup>

However, some Chinese agricultural experts have questioned the reliability of the official grain production statistics. In early 2012, when the Chinese ministry of agriculture announced that China had accomplished "the eighth year of consecutive growth" in grain production, a leading agricultural ecologist Jiang Gaoming argued that, for a variety of reasons, China's official statistics were likely to have overestimated the true grain production levels.<sup>5</sup>

Jiang pointed out that China's annual consumption of grains as food and feed was about 420 million tons. The official grain production level of 570 million tons in 2011 would imply a massive surplus of 150 million tons. However, there was no evidence of massive increase in grain storage. On the contrary, China's imports of cereals, soybean, and edible oil amounted to nearly 140 million tons of grain-equivalent in 2011.

In 2013, Li Changjin, a popular writer on China's rural issues and a visiting scholar at the Chinese University of Hong Kong, conducted field research in one of the rice-growing counties in Jiangxi province.<sup>6</sup> According to Li's research, since the early 1980s, the county's arable land had declined by about a third and the county's grain output had declined from 164 thousand tons in 1986 to 115 thousand tons in 2012. However, the county's official statistical publication showed that the arable land had not decreased and the grain output stayed at 166 thousand tons in 2012.

In the early 2000s, the Chinese government changed the agricultural subsidy policy. In 2004, the Chinese government started to implement nationwide the "direct grain subsidy" (*liangshi zhibu*) policy. The policy intended to provide a cash subsidy directly to rural households, often in proportion to the reported sown areas. Li Changjin suspected that the "direct grain subsidy" policy might have given the rural local governments incentives

to over-report the sown areas.

Under China's current agricultural statistical system, the national grain production statistics are inferred from a very small sample. The grain yields from the sample fields are used to project the nationwide yields using estimated sown areas.<sup>7</sup> If the sown areas are over-reported and the grain yields in the sample fields do not represent most of the country well, the official statistics would involve large upside biases.

Li Changjin believed that the county where he conducted field research was representative of the rice-growing areas in the Southern provinces. His rough calculation suggested that China's national grain production was likely to be around 500 million tons.<sup>8</sup>

### China's Grain Production: Evidence from Grain Uses

Theoretically, a country's total grain production should always equal the country's total uses of domestically produced grains. Most of the grain output is used for either direct food consumption or feed consumption. As a country's population (like the Chinese population) shifts from plant-based diet towards a meat-based diet, the proportion of grain output that is used for feed consumption would tend to increase. Other grain uses include industrial consumption (such as grains used for biofuels production), inventory change, net exports, and seed consumption and losses.

Total grain production expressed in terms of use or consumption is thus as follows:

$$\begin{aligned} \text{Total Uses of Domestically Produced Grains} = & \text{Direct Food} \\ & \text{Consumption} + \text{Feed Consumption} + \text{Industrial Consumption} \\ & + \text{Inventory Change} + \text{Net Exports} + \text{Seed Consumption and} \\ & \text{Losses} \end{aligned}$$

Some statistical discrepancies are inevitable between the reported grain production levels and the estimated total uses. However, the statistical discrepancies should be reasonably small and distributed randomly across different years. One should not expect systematic divergence between the two series in either the positive or the negative direction. The following paragraphs explain how we estimate China's grain uses.

**Food and Feed Consumption.** China's National Bureau of Statistics conducts household surveys in both the urban and the rural areas. The survey data include per capita consumption of rice, edible oil, meat, and other food intakes. Other studies have established the transformation coefficients that transform meat, eggs, aqua-products, and dairy products into grain-equivalents in China. For example, according to Liang Shumin and Sun Qingzhen's study, 1 kilogram of pork is equivalent to 4.6 kilograms of grains (see the sources of Table 1). Combining these data, we estimate China's total consumption of grains as

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food and feed. Table 1 shows how we estimate China's grain consumption as food and feed in 2012.

**Table 1. China's Grain Consumption as Food and Feed, 2012.**

| Per Capita Consumption (kg)                         | Urban | Rural | Transformation Coefficients |
|-----------------------------------------------------|-------|-------|-----------------------------|
| Grain (direct consumption)                          | 78.8  | 164.3 | 1-1.1                       |
| Edible Oil                                          | 9.1   | 7.8   | 4.6-6.5                     |
| Pork                                                | 21.2  | 14.5  | 4.6                         |
| Beef and Mutton                                     | 3.7   | 1.9   | 3.65-4.6                    |
| Poultry                                             | 10.8  | 4.5   | 3.2                         |
| Eggs                                                | 10.5  | 5.9   | 3.6                         |
| Aqua-products                                       | 15.2  | 5.4   | 2                           |
| Dairy                                               | 14.0  | 5.0   | 0.2-1.2                     |
| Alcohol                                             | 6.9   | 10.0  | 0.72                        |
| Outside Dining (grain-equivalent)                   | 117.6 |       | 1                           |
| Per Capita Grain Consumption (kg)                   | 485   | 348   |                             |
| Population (millions)                               | 712   | 642   |                             |
| Total Grain Consumption as Food/Feed (million tons) | 345.3 | 223.4 |                             |

Sources: Urban and rural consumption of various food items are from *China Yearbook of Household Survey* (Beijing: China Statistical Press, 2012). The transformation coefficients are from Liang Shoulin and Sun Qingzhen, "The Medium Long-Term Forecast of China's Food Consumption and Supply," *Zhongguo Shiwu yu Yingyang* (China's Food and Nutrition) 2: 37-401 (2006). The urban grain consumption through outside dining is estimated by assuming that grain consumption through outside dining is proportional to the monetary expenditures on outside dining.

**Industrial Consumption.** BP Statistical Review of World Energy 2013 provides data of China's ethanol production from 2001 to 2012. In 2012, China produced 1.7 million tons of ethanol.<sup>9</sup> We assume that China's grain input-ethanol output ratios were the same as those in the United States. Based on this assumption, China's grain consumption for biofuels production in 2012 is estimated to be 7.2 million tons.

**Inventory Change and Net Exports.** The US Department of Agriculture (USDA) publishes estimates of China's grain stocks (including rice, wheat, and coarse grains), which can be used to calculate the annual inventory changes (the difference between grain stock at the end of a year and the grain stock at the beginning of a year).<sup>10</sup> Net exports are exports less imports. China's grain exports and imports data are from *China Statistical Yearbook*, various years.<sup>11</sup> Grain exports and imports include exports and imports of cereals, soybean, and edible oil.

**Seed Consumption and Losses.** Seed consumption uses grains as inputs in the subsequent production cycles. According to China's *Compilation of National Agricultural Cost-Revenue Statistics*, seed consumption accounts for less than 2 percent of China's annual grain output.<sup>12</sup> There is no official data on grain losses. But Liao Yongsong, a researcher at the Rural

Development Institute of the Chinese Academy of Social Sciences, estimated that about 2 percent of China's grain output was lost in storage, transportation, and processing.<sup>13</sup> We assume that seed consumption and losses amount to 5 percent of China's total uses of domestically produced grain.

**Total Uses of Domestically Produced Grains.** Table 2 reports our estimates of China's total uses of domestically produced grains for selected years. Chart 1 compares the estimated total uses with the official grain production levels from 1981 to 2012.

**Table 2. China's Total Uses of Domestically Produced Grains, Selected Years**

| Grain Uses (million tons) | 1981 | 1990 | 2000  | 2010  | 2012  |
|---------------------------|------|------|-------|-------|-------|
| Food and Feed             | 327  | 420  | 500   | 553   | 569   |
| Industrial                | 0    | 0    | 0     | 7     | 7     |
| Inventory Change          | -8   | 15   | -18   | 6     | 8     |
| Net Exports               | -13  | -14  | -10   | -103  | -125  |
| Seed and Losses           | 16   | 22   | 25    | 24    | 24    |
| Total Uses                | 322  | 443  | 497   | 487   | 482   |
| Official Grain Production | 325  | 446  | 462   | 546   | 590   |
| Discrepancy Ratio (%)     | 0.8% | 0.7% | -7.0% | 12.1% | 22.2% |

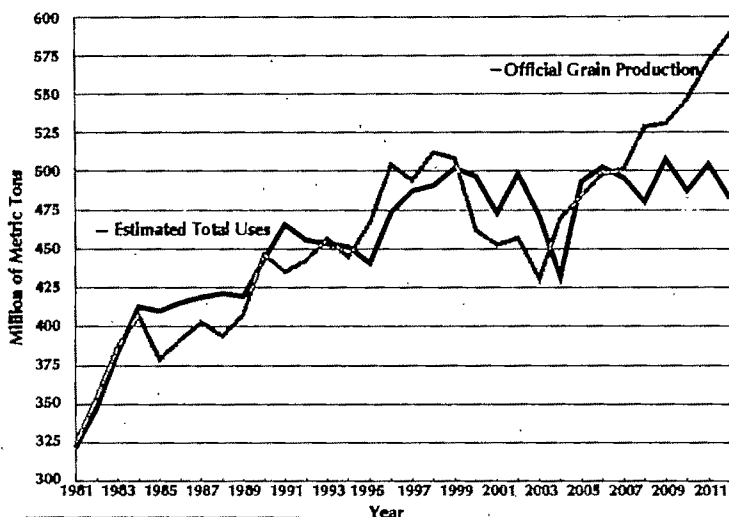
Sources: See the sources of Table 1 and the text of the section on "China's Grain Production: Evidence from Grain Uses." The discrepancy ratio is defined as the ratio of the difference between the official grain production level and the estimated total uses over the estimated total uses. Positive or negative discrepancy ratios indicate official production levels being higher or lower than the estimated total uses.

From 1981 to 2007, the estimated total uses tracked closely the official production levels. Whatever discrepancies that exist between the two series are small and appear to be randomly distributed. In twelve out of twenty-seven years, the official production level was higher than the estimated total uses. The largest "positive gap" happened in 2004, when the official production level was 8.7 percent higher than the estimated grain uses. In the other fifteen years, the official production level was lower than the estimated total uses. The largest "negative gap" happened in 2003, when the official production level was 8.6 percent lower than the estimated grain uses. Over the entire period 1981–2007, the average discrepancy ratio was -1.3 percent. That is, on average, the official production levels were only 1.3 percent smaller than the estimated total uses. These results suggest that for the period 1981–2007, the estimated total uses were reasonably good proxies of official production levels.

However, since 2008, a significant and systematic gap has emerged between the two series. From 2008 to 2012, the official production level was

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**Chart 1. China's Grain Production and Total Uses of Domestically Produced Grain, 1981–2012 (million of tons)**



Sources: See the sources of Table 1 and the text of the section on "China's Grain Production: Evidence from Grain Uses."

consistently higher than the estimated total uses and the gap widened from 10.1 percent in 2008 to 22.2 percent in 2012. These systematic and widening gaps cannot be explained by normal statistical discrepancies. Either there are large underestimating biases in the various sources we use to estimate China's grain uses, or the official statistics have greatly overestimated China's actual grain production levels.

The estimated total uses are the sum of grain consumption as food and feed, industrial consumption, inventory change, net exports, seed consumption, and losses. It is possible that the seed consumption and losses are higher than the assumed 5 percent of total grain uses. However, if this were the case, it would be difficult to explain why the estimated total uses matched the official production levels reasonably well from 1981 to 2007.

Grain exports and imports are based on China's official statistics and can be verified by international trade statistics. Inventory changes and industrial consumption of grains are small and do not drive the overall trend. In 2012, inventory change and industrial consumption added up to 15 million tons, accounting for 2.5 percent of the official grain production or 3.1 percent of the estimated total grain uses. By comparison, the discrepancy between the official grain production and the estimated total uses in 2012 was 108 million tons, which equaled 18.3 percent of the official grain production or 22.2 percent of

the estimated total uses.

The grain consumption as food and feed is calculated using data from official household surveys conducted by China's National Bureau of Statistics. It is possible that the official surveys have underestimated the true grain consumption levels. However, the estimated total uses that were largely based on the estimated grain consumption as food and feed did match the official production levels well up to 2007. There is no particular reason to think that China's official household surveys have become less accurate since 2007 and there is no obvious incentive for the National Bureau of Statistics to under-report the household grain consumption levels.

Our estimates show that China's grain consumption as food and feed grew at an annual rate of 10.3 million tons from 1981 to 1990, 8.0 million tons from 1990 to 2000, and 5.7 million tons from 2000 to 2012. The slowdown in grain consumption growth is consistent with the slowdown of China's population growth and the generally accepted observation that as per capita income rises, the demand for food tends to rise more slowly.

In 2000, the estimated total uses were larger than the official grain production by about 7 percent. The inventory change, net exports, seed consumption, and losses were relatively small and offset each other. The discrepancies between the official grain production, the total uses, and the estimated grain consumption as food and feed were reasonably small (see Table 2). Thus, our estimate of the grain consumption as food and feed in 2000 can be considered reasonably reliable. If one takes this estimate as the starting point, and assume that China's grain consumption as food and feed grew from 2000 to 2012 at the same rate as it did in the 1990s, then China's consumption in 2012 would be 597 million tons (rather than 569 million tons). This may be seen as the upper limit of the plausible range of grain consumption as food and feed in 2012. China's total use of domestically produced grain in 2012 would be 510 million tons (rather than 482 million tons). But even with this assumption, it would still leave 80 million tons (or 13.6 percent) of the official production unexplained.

On the other hand, it would be interesting to note that the Chinese government started to implement the "direct grain subsidy" policy in 2004. It is possible that three or four years after the implementation of the policy, many rural local governments began to realize that they could receive more subsidies by over-reporting sown areas or by not reporting lost sown areas (which might result from labor force migration, urbanization, or environmental degradation), they could maintain previous levels of subsidies.

The above analysis suggests that it is more likely that the Chinese official statistics have overestimated China's actual grain production levels than that our estimated grain uses understate these levels. If the estimated total uses of domestically produced grains can be considered good proxies of China's actual grain production levels, our estimates suggest that China's actual grain production

## CHINA'S GRAIN PRODUCTION

is currently about 100 million tons below the official production level. While the official grain production had increased by about 90 million tons from 1998 to 2013, our estimates suggest that China's actual grain production most likely has stagnated since the late 1990s.

### Who Will Feed China?

The rapid growth of modern agriculture has been based on mechanization, chemical inputs (fertilizers, pesticides, and herbicides), irrigation, and high-yield seeds responsive to fertilizers and irrigation. Modern agriculture depends heavily on the nonrenewable fossil fuels for the production of chemical inputs, operation of farm machines, packaging, and transportation.

From an ecological perspective, modern agriculture is fundamentally unsustainable. Mechanized tillage, use of chemical fertilizers, and large-scale monoculture lead to soil erosion. Pests develop generic resistance to pesticides. Perennial irrigation leads to waterlogging, salinization, and aquifer depletion. In the long run, all elements of modern agriculture suffer from diminishing returns.<sup>14</sup>

China's agricultural growth in recent decades has been driven by large-scale application of modern agricultural inputs. Chart 2 shows the relationship between China's grain yields and agricultural inputs for the period 1980–2012.

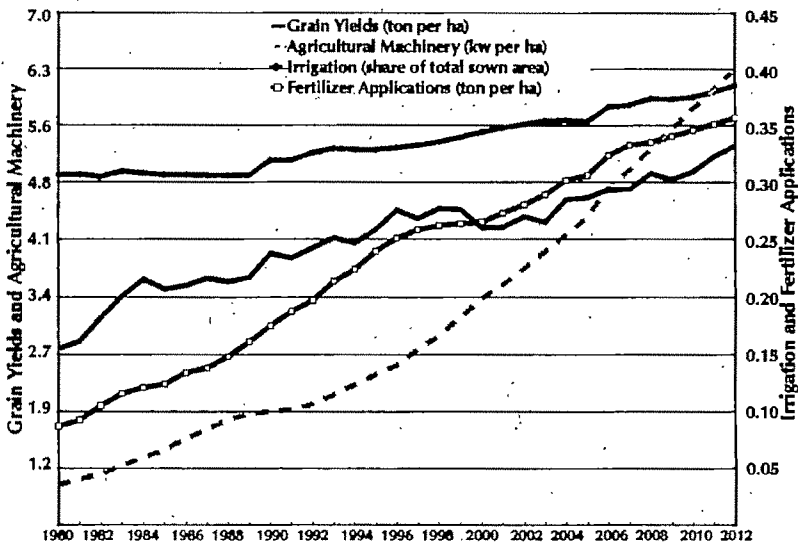
From 1980 to 1996, China's grain yields in average grew by 109 kilograms per hectare a year, irrigated area as percent of the total agricultural sown area grew by 0.15 percent, fertilizer applications grew by 10.3 kilograms per hectare, and agricultural machinery power grew by 95 watts per hectare. An increase in grain yields by 100 kilograms was associated with an increase in irrigated area by 0.14 percent, an increase in fertilizer applications by 9.4 kilograms per hectare, and an increase in agricultural machinery by 87 watts per hectare.

From 1996 to 2012, China's grain yields on average grew by 51 kilograms per hectare a year, irrigated area as percent of the total agricultural sown area grew by 0.34 percent, fertilizer applications grew by 6.6 kilograms per hectare, and agricultural machinery power grew by 234 watts per hectare. An increase in grain yields by 100 kilograms was associated with an increase in irrigated area by 0.67 percent, an increase in fertilizer applications by 13 kilograms per hectare, and an increase in agricultural machinery by 457 watts per hectare. Compared to the period 1980–1996, each of the three modern agricultural technologies experienced substantial diminishing returns over the second sixteen-year period.

In 1996, China conducted the first nationwide land survey using satellite photography technology. The survey found that China's total arable land was 130 million hectares in 1996. From 1996 to 2003, China lost 9.3 million



Chart 2 China's agricultural Inputs and grain yields, 1980–2012



Source: National Bureau of Statistics of China, *China Statistical Yearbook*, various issues, [www.stats.gov.cn/tjsj/ndsj/](http://www.stats.gov.cn/tjsj/ndsj/).

hectares of arable land.<sup>15</sup> Since then, the official statistics show that China's arable land has stabilized around 120 million hectares. However, much of China's arable land has been degraded by soil erosion and industrial pollution.

According to research conducted by the Chinese Academy of Sciences, about one-sixth of China's arable land (or 20 million hectares) has been polluted by heavy metals. About 40 percent of China's land is affected by soil erosion, salinization, and desertification.<sup>16</sup> According to a paper published at the 19th World Congress of Soil Science, under the existing trend of soil erosion, China's grain yields may decline by 11 percent from 2005 to 2030 and by 15 percent from 2005 to 2050. As a result, China may face a food deficit of 14 percent of the expected food demand by 2030 and a food deficit of 18 percent by 2050.<sup>17</sup>

Worldwide, irrigated land accounts for less than 20 percent of the total cropland but contributes 40 percent of the total food production. On average, irrigated land is about three times as productive as rain-fed land.<sup>18</sup> China's per capita water resources are only one-quarter of the world average. But almost 40 percent of China's total sown area is irrigated.

## CHINA'S GRAIN PRODUCTION

In 2012, China's total water use by the agricultural sector was 388 cubic kilometers, accounting for 63 percent of China's total water use. Out of the 388 cubic kilometers, 113 cubic kilometers was withdrawn from the nonrenewable ground water.<sup>19</sup> As the ground water becomes depleted, about 30 percent of China's currently irrigated agriculture will be threatened. Given the land, water, and environmental constraints, China will have growing difficulty to raise domestic grain production. Indeed, according to our estimates, China's grain production has stagnated over the past one and a half decades.

From 2000 to 2012, China's total imports of cereals and soybean rose from 16 to 72 million tons. China's imports in 2012 accounted for 19 percent of the world total exports of grains and soybean.<sup>20</sup> From 2000 to 2012, China's imports of cereal and soybean grew at the rate of 4.7 million tons a year. At this rate, China will need to import 157 million tons of cereals and soybean by 2030. This is the equivalent of 41 percent of the world grain and soybean exports in 2012 or the total grain production of Brazil and Russia combined.

According to Carleton Schade and David Pimentel, due to the loss of arable and irrigated land, the world will struggle to meet the food demand by the mid-twenty-first century. The world will fail to provide enough food for between 1 and 4 billion people by 2050.<sup>21</sup> If the world grain and soybean exports fail to increase significantly between now and 2030, China's rising imports will impose unbearable pressure on the world grain market. Many small and poor countries will be priced out of the world grain market. China may find itself unable to afford the surging food prices.

### Whither Chinese Agriculture?

There is widespread recognition that large-scale capitalist agriculture based on fossil fuels is fundamentally incompatible with environmental sustainability and cannot provide long-term solution to the world's food problem. However, among some progressive scholars and activists, there is a tendency to romanticize petty peasant mode of production (small-scale agricultural production in which the peasant families own the land and other means of production) as an agricultural system that is more equitable and sustainable than the capitalist mode of agricultural production.

In the early 1980s, China privatized agriculture and in effect restored the petty peasant economy in agriculture (with nominally commodity ownership). Since then, the world has observed what may have been the largest experiment of the petty peasant economy in modern time.<sup>22</sup>

Even today, the capitalist mode of production has made only limited intrusions into the Chinese agricultural sector. According to a recent survey by China's Ministry of Agriculture, as of 2012, there were 877,000 capitalist or quasi-

capitalist "family farms" in China. The total arable land on which they operate was 12 million hectares, or 10 percent of the national total. Their average land-holding was 13 hectares, much larger than the average land-holding of a peasant family under the "Household Responsibility System," which was only 0.5 hectare. The largest 16,500 "family farms" each had a land-holding greater than 70 hectares.<sup>23</sup>

Because of the legacy of the Chinese Revolution, China's petty peasant agriculture has developed under relatively "free" conditions, without oppression of feudalism or other pre-capitalist social relations, which continue to affect economic and social development in many Asian, African, and Latin American countries.

Despite such "ideal" conditions, the modern Chinese agriculture has produced essentially the same social and environmental consequences as the more typical capitalist agricultural systems. Since the 1980s, China's rural areas have served as the main supplier of cheap labor force to the urban capitalist economy, undermining the bargaining power of the urban working class. China's inequality in income and wealth distribution has risen to levels comparable to other capitalist "middle-income" countries.

Like capitalist agriculture, Chinese agriculture of today relies heavily on fossil fuels, synthetic chemical inputs, and, frequently, irrigation water polluted with industrial chemicals, resulting in land degradation and more water pollution. In many parts of rural China, pollution of soil, water, and crops has reached catastrophic levels. It is reported that there are about 250 "cancer villages" in China, where a disproportionately large fraction of the local population has died of cancer.<sup>24</sup>

The Chinese experience over the past three decades has demonstrated that the individual peasant households, even though they are "petty," do not have a natural tendency to pursue socially and environmentally sustainable objectives. Surrounded by the capitalist economic system, Chinese peasants are constantly induced as well as pressured by the logic of the capitalist market to pursue short-term private gains at the expense of the community and the environment.

The only "success" the privatized Chinese agriculture can claim is that it has achieved substantial increases in food production (partly by utilizing the infrastructure built in the socialist era) and provided massive amounts of relatively cheap food (though occasionally poisonous) to the labor force employed by the urban capitalist sector.

However, if this article's analysis proves to be valid, it would suggest that the only "success" of the privatized Chinese agriculture is beginning to fall apart.

The challenge for China and the world is to develop a new agricultural system that can manage the material exchanges between human society and

## CHINA'S GRAIN PRODUCTION

nature in a sustainable way, can provide adequate and nutritional food to the entire population, and can distribute and deliver the food in accordance with social equity. It is difficult for us to imagine that these objectives can be accomplished by a social and economic system other than socialism.

### Notes

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## MONTHLY REVIEW

## Fifty Years Ago

SPELLMAN: You often use the word revolution, is there a revolution underway in America today?

MALCOLM X: There hasn't been. Revolution is like a forest fire. It burns everything in its path. The people who are involved in a revolution don't become a part of the system—they destroy the system, they change the system. The genuine word for a revolution is *Unwältzung* which means a complete overturning and a complete change and the Negro Revolution is no revolution because it condemns the system and then asks the system that it has condemned to accept them into their system. That's not a revolution—a revolution changes the system, it destroys the system and replaces it with a better one. It's like a forest fire like I said—it burns everything in its path and the only way to stop a revolution is to ignite a fire that you control and use it against the fire that is burning out of control. What the white man in America has done, he realizes that there is a Black Revolution all over the world—a non-white revolution all over the world—and he sees it sweeping down upon America and in order to hold it back he ignited an artificial fire which he has named the Negro Revolt and he is using the Negro Revolt against the real Black Revolution that is going on all over this earth.

—A.B. Spellman, "Interview with Malcolm X,"  
*Monthly Review*, May 1964

# Australian Coal

## *Should It Be Left in the Ground?*

Hans A. Baer

Many Australians view themselves as living in a "lucky country" because it has an abundance of mineral resources. James Goodman and David Worth, however, maintain that the mining boom has been a "curse" in disguise. It has sharpened socioeconomic and community divisions, contributed to political conflict, and resulted in "ecological mal-development" with serious environmental consequences.<sup>1</sup> This applies to coal in that it not only contributes to air and water pollution, but is also a major source of carbon dioxide emissions and thus a major contributor to climate change.

In the case of Australia, Europeans discovered black coal in the Newcastle, New South Wales area in 1791 and began exporting it in 1799. These early coal mining activities made a significant contribution to the progress of European settlement in Australia. The progressive spread of settlement to other locations in Australia led to further discoveries and mining of black coal, including the discovery of coal near Ipswich in 1825, at Cape Paterson in Victoria in 1826, and Irwin River in Western Australia in 1846. Knowledge of the existence of brown coal in Victoria dates back to 1857. The Yallourn North open-cut coal mine began production in 1889. Over 200 years later about 9,100 million metric tons of black coal and about 2,300 million metric tons of brown coal have been mined, and the Australian coal industry provides significant employment, capital investment, and domestic and export income to the national economy.

Despite its relatively small population, Australia is the world's fifth-largest coal producer after China, the United States, India, and Indonesia. It contains 6 percent of the world's black coal, making it sixth in terms of coal deposits behind the United States (31 percent), Russia (21 percent), China (13 percent), India (8 percent), and South Africa (7 percent).<sup>2</sup> Furthermore, Australia is the third biggest brown coal producer, placing it behind Germany and Russia. It is the second largest coking coal producer after China.<sup>3</sup>

With three-fourths of its black coal production exported, Australia was the

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world's leading national coal-exporter (until 2011, when it slipped to number two behind Indonesia). Australian coal is exported to more than thirty-five countries and provides 30 percent of global coal exports, contributing about 500 million tons each year to global greenhouse gas emissions. Australia exports about half the coal that it mines in exchange for gross revenue of some \$45 billion per annum, with state governments receiving 10 percent royalties from this amount.<sup>4</sup> Table 1 depicts some vital statistics on Australian coal mining.

**Table 1. Australian Coal Production (in millions of metric tons)**

| Commodity  | Production |       | Method   |             | Exports |         |
|------------|------------|-------|----------|-------------|---------|---------|
|            | Cumulative | 2012  | Open Cut | Underground | 2012    | Million |
| Black coal | 10,786.8   | 477.6 | 79.4     | 20.6        | 316     | 41,554  |
| Brown coal | 2,463.5    | ~68   | 100      | 0           | 0       | 0       |

Source: Adapted from Gavin Mudd, "Australia's Mining Legacies: The Impacts of Mining Waste Will be Felt for Years to Come," *Arena: The Australian Magazine of Left Political, Social and Cultural Commentary* 124 (2013): 20.

### The Coal Mining Industry in Australia

Although Australia has numerous companies involved in coal mining, the Big Four players in the Australian coal mining industry (BHP Billiton, Rio Tinto, Glencore Xstrata, and Anglo American) are all primarily foreign-owned and operated. BHP Billiton is reportedly the world's largest resource company; it is involved not only in the production of energy and metallurgical coal but also aluminum, copper, nickel, silver, titanium, uranium, oil, and gas. BHP has 100 percent ownership of NSW (New South Wales) Energy Coal, which produces open cut coal and is also involved in the production of metallurgical coal, with 100 percent ownership of Illawarra Coal in New South Wales; 50 percent ownership of BHP Billiton Mitsubishi Alliance, which operates an integrated mine, rail, and port system; and 80 percent ownership of BHP Mitsu Coal, which engages in open cut coal mining. In addition to coal mines in South Africa, the Swiss-based Xstrata has coal mining operations in various sites in Queensland and a site in New South Wales. It exports about 80 percent of its Australian thermal coal production to utility companies in various countries, including Japan, South Korea, Taiwan, and Mexico. Rio Tinto Coal operates nine properties and produces sulphur steam coal for electricity generation plants, metallurgical coking coal for iron and steel mills, and coal for export. Finally, Anglo American (UK-Australia) operates five mines in Queensland and one in New South Wales. As part of their growing mining empires, Gina Rinehardt (reportedly the richest woman in the world, with holdings of some \$17 billion) and multi-billionaire mining magnate Clive Palmer (who formed his own political party

called the Palmer United Party in the 2013 election) have elaborate plans to open up the huge Galilee coalfields in central Queensland.<sup>5</sup>

Sinclair Davidson and Ashton de Silva make a distinction between the *coal extraction industry* and the *coal economy*. They assert that “for every job created in coal mining 3.7 jobs are created nationally in the Australian economy making up a direct and indirect workforce of over 180,000 people in 2011–12.”<sup>6</sup> Relying in part upon Australian Bureau of Statistics data, Davidson and de Silva report the following gross value contributions of the coal industry, the economy, and the resource economy, respectively, in terms of “total output, supply and demand side effects, to the overall Australian economy in 2011–12: coal industry 1.8 percent, coal economy 4.2 percent, and resource economy 23.7 percent.”<sup>7</sup> They also note that in 2011–2012 there were 49,000 employees in the coal industry and 181,200 employees in the coal economy.

The coal seam gas (CSG) industry is a derivative of the coal industry per se and has been on the rise over the past several years or so in Australia. Coal seam gas refers to methane that is trapped within pores and fractures in underground coal deposits. Companies such as ExxonMobil, BP, Shell, and Chevron dominate the gas industry. In 2009–2010, CSG accounted for approximately 10 percent of gas production in Australia, and is now growing. In Queensland, CSG provides approximately 90 percent of the domestic gas supply, and a number of projects to convert CSG to LNG (liquid natural gas) for export are underway.

### Coal for Domestic Consumption and Export

Coal constitutes a significant source of Australia’s domestic energy consumption. It relies upon both steaming black coal and brown coal for electricity production but also upon natural gas, hydroelectricity, and small amounts from wind or solar sources, depending upon the state. In terms of the percentage of electricity generated from coal, Australia is in fifth place internationally, after Mongolia, South Africa, Poland, and China.<sup>8</sup> Moreover, in contrast to steelmaking, which relies only on black coal, Australian electricity generation relies on both black coal and the even dirtier brown coal still in abundance in the Latrobe Valley in eastern Victoria, which creates even more carbon dioxide emissions per unit than black coal. Coking coal is used for steel production and by-products of coke-making include coal tar, ammonia, light oils, and coal gas. Coal is also used in the production of cement manufacturing, food processing, paper production, and alumina refineries.

As Table 2 illustrates, reliance on coal-fired power plants varies considerably among the various political jurisdictions.

The Australian Government provides the statistics on Australia’s fossil-fuel



related exports, including coal. The export data for 2010–2011 can be seen in Table 3. Australia has nine major coal-exporting terminals which loaded nearly 290 million tons of coal in 2010–2011 and eleven major deepwater ports with facilities to export petroleum products.

**Table 2. Australian Principal Electricity Generation by Fuel Source, 2009–2010**

| Fuel Source            | New South Wales & Australian Capital Territory | Victoria | Queensland | South Australia | Western Australia | Tasmania | Northern Australia |
|------------------------|------------------------------------------------|----------|------------|-----------------|-------------------|----------|--------------------|
| Black coal (%)         | 91.4                                           | 91.2     | 82.3       | 31.2            | 48.1              | 0        | 0                  |
| Natural gas (%)        | 5.6                                            | 2.0      | 4.9        | 46.7            | 48.0              | 11.5     | 85.0               |
| Hydro (%)              | 2.4                                            | 4.3      | 0.9        | 0               | 0                 | 83.7     | 0                  |
| Wind (%)               | 0.6                                            | 2.5      | 0          | 22.1            | 3.7               | 4.8      | 0                  |
| Biofuels (%)           | 0                                              | 0        | 0.05       | 0               | 0                 | 0        | 0                  |
| Oil products (%)       | 0                                              | 0        | 0.08       | 0.05            | 0.1               | 0        | 15                 |
| Coal seam gas (%)      | 0                                              | 0        | 11.8       | 0               | 0                 | 0        | 0                  |
| Total generation (GWh) | 70,407                                         | 56,436   | 60,014     | 14,009          | 17,067            | 9,770    | 1,536              |

Source: "Submission on the Draft Energy White Paper *Strengthening the Foundations for Australia's Energy Future*," Australian Coal Association, March 2012, 23.

### Greenhouse Emissions Australian from Coal at Home and Abroad

Thirty-four percent of Australia's greenhouse gas emissions come from burning black and brown coal, primarily for electricity generation but also for steel and cement manufacture. In large part due to heavy reliance on coal for electricity production, of developed societies, Australia has the highest CO<sub>2</sub> emissions per capita, even higher than the United States.<sup>9</sup>

Aluminum smelting accounts for about 13 percent of Australia's electricity consumption, most of which comes from coal-fired power plants.<sup>10</sup> As a result of this, in contrast to most other countries which rely on hydroelectric power for smelting, Australia's aluminum industry has the highest greenhouse gas intensity in the world, accounting for around 6 percent of Australia's total emissions.

**Table 3. Australia's Fossil Fuel-Related Exports 2010 and 2011**

| Fossil Fuel             | Unit | Exports | Value (\$m) | World Trade (%) | Ranking |
|-------------------------|------|---------|-------------|-----------------|---------|
| Thermal coal            | Mt   | 133     | 31,106      | 18              | 2       |
| Metallurgical coal      | Mt   | 148     | 15,561      | 49              | 1       |
| Liquefied petroleum gas | ML   | 2,164   | 962         | n.a.            | n.a.    |
| Liquefied natural gas   | Mt   | 19      | 11,084      | 8               | 5       |

Source: Adapted from Australian Government. *Energy White Paper: Australia's Energy Transformation* (Canberra, ACT: Department of Resources, Energy and Tourism, 2012). Mt = millions of metric tons; ML = millions of liters.

The production, supply and use of coal seam gas also results in greenhouse gas emissions. The Department of Climate Change and Energy reports:

## AUSTRALIAN COAL SHOULD IT BE LEFT IN THE GROUND?

Fugitive emissions of methane are a significant source during the production phase. This includes methane released from exploration drilling, production testing and well completion, and gas production activities including processing, venting and flaring. Methane is a potent greenhouse gas, with a global warming potential more than 20 times that of carbon dioxide over 100 years.

In 2008–09, fugitive emissions from the natural gas sector, which includes CSG as well as conventional gas, were estimated to be 9.3 million tonnes of carbon dioxide equivalent (CO<sub>2e</sub>), or around 1.6% of national inventory total.

Other sources include fugitive emissions during transportation and supply (for example leakage from pipelines), emissions for fossil fuel use during the development and operation of CSG [coal seam gas] facilities, and emissions from end-use combustion of CSG (for example for heating or electricity generation).<sup>11</sup>

Various studies have indicated that Australia actually outsources more CO<sub>2</sub> emissions from coal exports than it generates domestically. Guy Pearce states:

In total, the coal we burn at home and export generates close to a billion tonnes of carbon dioxide annually—more than 1 in every 30 tonnes generated globally from fossil-fuel burning. For a country with 1 in every 313 of the world's people, this is polluting well above our weight. Ships laden with a single load of Australian coal can each carry the annual emissions equivalent to 25,000 cars. Our exports alone generate almost 700 million tonnes of CO<sub>2</sub> annually, which is almost 15 percent more than Australia's entire annual greenhouse-gas emissions. Yet currently our coal exports are projected to nearly double from 231 million tonnes per annum in 2004–2005 to 438 million in 2029–30.<sup>12</sup>

Mudd provides an even grimmer picture concerning Australia's outsourcing of greenhouse emissions in noting that if "you look at Australia's coal exports in 2012, these alone are responsible for some 800 Mt [millions of metric tons] of greenhouse gas emissions—nearly double Australia's emissions."<sup>13</sup>

### The Nexus of the Coal Mining Companies and Federal and State Governments

At the state and federal levels, both Coalition (Liberal and National parties) and Australian Labor Party (ALP) governments have consistently subsidized the exploitation of Australia's coal and natural gas supplies and supported the expansion of coal exports. The Greenhouse Mafia, a

consortium of industries involved in the production of fossil fuels and coal-based electricity generation, "has dominated almost every greenhouse-related consultative committee established by the federal government and its agencies."<sup>14</sup> Just as this was the case for the federal ALP governments under Prime Ministers Kevin Rudd (in both 2007–2010 and again in 2013) and Julia Gillard, it is even more so under the Coalition government, led by Tony Abbott, who was elected prime minister in September 2013. In his observation that "governments have fanned a concept of national identity built on notions of economic success and personal status measured by material acquisition," Tony Cutcliffe adds: "In Australia, this prosperity has its roots and stability entrenched in unbridled consumption of cheap energy provided by fossil fuels."<sup>15</sup> Australian governments have traditionally subsidized the costs to private enterprise of large-scale development projects and worked in close concert with corporations, including mining companies. Large state government investments in electricity generation and ports and harbor developments function often as a subsidy to the private sector to encourage mineral exports, including, of course, coal. Mining companies have played a key role in Australian politics and have been involved in the ouster of two Labor governments: the Whitlam government in 1977 and the Rudd government in 2010. Conservative forces, including ones in the mining industry, contributed to the ouster of Prime Minister Gough Whitlam because of his government's plan to nationalize energy resources, and its interference with U.S. military and intelligence operations based in Australia.<sup>16</sup> Pearse observes:

Mining, metals, and energy industries enjoy billions of dollars in tax breaks, fuel excise rebates, cheap electricity contracts, royalty holidays and infrastructure.... In Queensland, the state government is subsidizing 'clean coal' and is also spending \$5.4 billion on a Coal Transport Infrastructure Program. In New South Wales, half a billion dollars in federal money is being spent in the Hunter Valley alone to improve railway infrastructure to increase coal exports.<sup>17</sup>

The Australian Coal Association (ACA) is part and parcel of the Greenhouse Mafia which also includes the Minerals Council of Australia (MCA), the Business Council of Australia (BCA), and the Australian Greenhouse Network (AIGN). The ACA represents the interests of black-coal production in New South Wales and Queensland and by the 1990s had become a major donor to both the Liberal and Labor parties. The BCA consists of the CEOs of more or less the top 100 major corporations situated in Australia. The AIGN reads like a Who's Who of the Australian corporate sector, particularly the fossil fuels industry, and includes the Australian Aluminum Council, the ACA, the Australian Petroleum and Exploration

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Association, the MCA, the National Generators Forum, Alcoa World Aluminum–Australia, BP Australia, Caltex, Chevron Australia, ExxonMobil, Origin Energy, Rio Tinto Australia, Santos, Shell Australia, Woodside Petroleum, and Xstrata Coal Australia. Both Liberals and the ALP have received millions of dollars since 1998 from these corporations directly or indirectly represented by AIGN.

In 2003 the Australian Coal Association formed COAL21 Fund, a consortium of representatives from the coal and electricity industries, unions, federal and state governments, and the research community. The COAL21 Fund planned to raise over \$1 billion over a ten-year period from a voluntary levy on coal production to support the “pre-commercial demonstration of low-emission technologies in the power generation sector” and research and development.<sup>18</sup>

The coal industry keeps expanding with governmental support. In April 2008 the federal government gave the go-ahead for a multi-billion dollar expansion of Gladstone, which will result in another 84 million tons of coal being exported annually. Despite his insistence that climate change was the great moral challenge of this generation, Rudd announced on December 12, 2008 that \$580 million of public money would be allocated to the expansion of coal facilities in the Hunter Valley and the Port of Newcastle, predicted to increase coal exports from Newcastle from 97 to 200 million tons per annum.<sup>19</sup> The New South Wales government gave Newcastle Coal Infrastructure Group, a consortium of six mining companies, permission to construct a new \$900 billion coal port. According to NSW Department of Planning estimates, the 66 million tons that could be handled by the new coal port “would release 174 million tonnes of greenhouse gas when burnt in overseas power station.”<sup>20</sup> Even while preparing its Carbon Pollution Reduction Scheme legislation, which never was passed, the Rudd government poured huge subsidies into coal-fired power plants. Along with budgeting \$200 million to increase the capacity of Eraring coal-fired power plant in New South Wales and assisting with the construction of two new coal- or gas-fired power plants in Bayswater and Mt. Piper and the retrofitting of the existing coal-fired power plant at Munmorah, it directed significant funds away from renewable energy initiatives to develop “clean coal” technology. The Victorian, New South Wales, and Queensland governments also provide big funding and policy support for carbon capture and sequestration (CCS). The Victorian government, with the dirtiest coal, has made CCS a central feature of its future energy development.

In September 2008 the Rudd government established a Global Capture and Storage Institute, with \$100 million, to promote research into CCS, with a view to creating twenty commercial plants by 2020. The Institute estimated that the technology would not be commercially viable until emissions cost \$60

a ton and it would increase electricity prices by up to 78 percent. In November 2008, Minister of Energy Martin Ferguson announced the formation of the National Low Emissions Coal Initiative, to be funded through the National Low Emissions Coal Fund outlined in the Carbon Pollution Reduction Scheme (CPRS). The proposed CPRS included a Coal Sector Adjustment package of \$250 million over five years for coal-mining operators to clean up their coal.

In 2012 the Australian Government released its *Energy White Paper* which proclaims its commitment to a “clean energy economy” by seeking to “provide secure, reliable, clean and competitively priced energy to consumers while building national wealth through the safe and sustainable exploitation of our energy resources.”<sup>21</sup> It goes on to state, “Over the next two and a half decades, Australia’s energy production is projected to more than double, largely due to export growth. We are the world’s largest coal exporters and third-largest uranium producer, and in future years will be the world’s second-largest liquefied natural gas (LNG) exporter. Our energy exports will continue to support higher living standards for billions of people in our region.”<sup>22</sup>

The report projects energy production will be boosted by coal seam gas and potentially shale oil and gas. Australian CSG production increased from 2 percent to 11 percent of total gas production in the five years prior to 2010–2011 and can be expected to be supported by three CSG-to-LNG projects being constructed near Gladstone, Queensland. The report also optimistically projects that renewable energy will account for at least 20 percent of domestic electricity production by 2020 and this may rise further to around 40 percent by 2035. And that by 2050 most of Australia’s conventional fossil fuel power generation will, it is projected, have been replaced by wind, solar, and geothermal energy sources. Then-Minister of Energy Martin Ferguson launched Santos’s CSG project in Gladstone, Queensland in January 2011. Gina Rinehardt has obtained conditional government approval for the first of two huge coal mines in the Galilee Basin.

How the new Coalition government will proceed in supporting the coal mining and coal seam gas industries remains to be seen. However, Abbott has gone on record in favoring the growth of coal shipments through the Great Barrier Reef, the development of another mega coal mine, and has defended CSG—arguing that farmers will benefit by the construction of roads<sup>31</sup> to facilitate this new industry.

### The Anti-Coal Campaign as a Part of the Australian Climate Movement

In frustration at the lack of action on the part of the Coalition (Liberal-National parties) government under Prime Minister John Howard from 1996 to 2007, around the beginning of the present century a growing number of Australians began to form local grassroots climate action groups (CAGs).

These groups along with various environmental NGOs, regional climate action groups, special climate action groups, and socialist groups constitute the most significant new social movement in Australian society—although one that at the moment is in somewhat of a lull for complex reasons, including the passage of a Carbon Price Mechanism in 2012 that the Coalition government has promised to dismantle. The nationwide anti-coal campaign by and large is embedded in the climate movement and includes groups such as the Green Party, Rising Tide, Greenpeace, Friends of the Earth, Climate Emergency Action Network in South Australia, socialist groups Socialist Alliance and Solidarity, numerous CAGs, and Lock the Gate situated in Queensland and New South Wales.<sup>23</sup>

Among its various campaigns, certain sectors of the Australian climate movement have called for the closure of coal-fired power plants and the cessation of coal mining, coal seam gas exploration, and coal exports, and have expressed vehement opposition to carbon capture and sequestration. Anthropologist Linda Connor and her colleagues examined the formation in 2000 of the Anvil Hill Project Watch Association (AHPWA) on the part of Wybong residents who were concerned about the damage that the planned Anvil Hill coal mine would have on local flora and fauna.<sup>24</sup> AHPWA became a member of the Anvil Hill Alliance (AHA) which emerged in 2006 when the New South Wales government approved development of the mine. Greenpeace and Rising Tide became involved in the campaign to stop the Anvil Hill mine by October 2005. The AHA found itself opposed by diverse “pro-mining civil society groups” which include “mining industry associations and unions representing mine and energy workers and coal exporters, all with shifting positions and alliances.”<sup>25</sup> The Construction, Forestry, Mining and Energy Union (CFMEU) came to constitute a middle group between the Anvil Hill Alliance and the pro-mining civil society group in that, while in coalition with the coal producers and the New South Wales Minerals Association, it embarked on an advertising campaign noting that “climate change threatened miners’ jobs and calling for the Kyoto Protocol to be ratified; for a 60% emissions reduction target by 2050; and for more investment in ‘clean coal technology.’”<sup>26</sup>

Of the various climate action groups, Rising Tide has been the staunchest opponent of Australian coal-exporting activities. Building upon the concern of local people about environmental degradation, water shortage, pollution, and the threat of biodiversity from coal mining, Rising Tide and Green Peace introduced into the campaign a strong warning about the climate change threat. A week before the 2009 Copenhagen climate talks Rising Tide staged a daylong blockade of the rail line that feeds into the coal port at Newcastle. It also organizes an annual “People’s Blockade of the World’s Biggest Coal.”

Greenpeace has also adopted a strong anti-coal agenda. It led the way during the Howard government days of anti-coal campaigning when on July 27, 2005 teams of its activists occupied a 2.5 million ton coal stockpile and

one of four huge coal loaders. Greenpeace maintains Australia is well positioned to implement renewable-energy resources, such as solar photovoltaic, concentrating solar thermal, wind, wave and geothermal energy. It strongly opposes carbon capture and sequestration and drew attention to the problems associated with Rudd's proposed Clean Coal Initiative:

First, it dangerously distracts us from efforts we should be making now to convert to renewable energy-based power generation.... Second, CCS, like nuclear power, is too expensive, too risky, safe storage is not certain, and it can't do the job to cut emissions in the timeframe we need. Third, there are big questions in any case over liability in the case of failure to work. Any money, public or private, that goes into CCS is wasted, a missed opportunity to roll the renewable solutions that are ready to go right now.<sup>27</sup>

Climate activists mounted protests against the operation of the Hazelwood coal-fired power plant in the La Trobe Valley in both September 2009 and October 2010, and the twin coal-fired plants at Port Augusta, South Australia in September 2009. The Hazelwood plant reportedly is the largest single source of greenhouse gas emissions in Australia, being "responsible for 18 million tonnes of greenhouse pollution each year (15 per cent of the state's annual emissions)."<sup>28</sup> In a pathbreaking alliance, farmers, and graziers have joined with climate activists in the Lock the Gate movement, a national coalition of 122 community groups and hundreds of individuals concerned about CSG. Lock the Gate encourages landowners not to enter into negotiations that permit CSG companies to explore for CSG on their land. In its Call to Country campaign, Lock the Gate has called upon the federal government to place a moratorium on coal seam gas and other unconventional gas mining and to reject proposals for coal ports, mega-mines, dams, and unconventional gas wells. The strong anti-CSG sentiment in rural communities has been assisted by the U.S. documentary *Gasland*. Friends of the Earth Melbourne has been sponsoring the Stop Coal campaign and called on the Victorian government to ban CSG development.

### Is There Light at the End of the Tunnel?

At the moment coal appears to be a hegemonic industry in Australia with staunch support from the new Coalition government and the new ALP opposition. Nevertheless, the opposition to the mining and export of coal are not completely off the radar screen. The Greens, with nine members in the Senate and one in the House of Representatives, remain the most visible challenge to the coal industry. The Socialist Alliance, which does run in selected federal, state, and local electorates, has been calling for the nationalization of the mining industry and public utilities which theoretically would provide the most viable strategy for leaving coal in the ground. Unfortunately, its electoral victories have been confined to city councils in the



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City of Moreland (northern suburbs of Melbourne) and the City of Fremantle in West Australia. Recently, a new campaign called Fossil Free Australia has been urging universities, religious institutions, local councils, and state governments to divest from fossil fuel industries. As a country of some 23 million people, Australia is a relatively small player on the international politics terrain. Hopefully, however, Australian climate activists can provide both inspiration to and draw hope from climate activists, including anti-coal activists, elsewhere around the world, including the United States.

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# Crisis, Recovery, and the Transitional Economy

## *The Struggle for Cooperative Ownership in Greensboro, North Carolina*

Michael Joseph Roberto

There is much to ponder as the patchwork of American society continues to unravel from the effects of a new type of capitalist depression. Millions have seemingly resigned themselves to both high and chronic underemployment, an odious condition expressed in phrases like “the new normal” that calls on us to accept *what is*—deprivation and dysfunction on multiple levels—as opposed to consciously deciding *what ought to be*. Meanwhile, the only people who can speak of recovery since the onset of the current crisis in December 2007 are the owners and controllers of capital. It is, as Paul Krugman declared in the *New York Times* last fall, a “Rich Man’s Recovery.”<sup>1</sup>

Krugman’s comments came in the wake of a report that showed the wealthiest 1% of Americans earned more than 19 percent of the country’s household income in 2012, their biggest share since 1928, a year before the Wall Street stock-market collapse. That’s not all. The top 10 percent also made a record 48.2 percent of total earnings in 2012.<sup>2</sup> But what about the majority of working people who for much of 2013 lost ground while running in place? While those at the top raked in profits from soaring corporate dividends and booming stock prices, wages for the 145 million Americans in the workforce inched up a mere 1.9 percent—actually 0.4 percent after adjusting for inflation.<sup>3</sup> It was worse for the nearly 25 million who made less than \$10.10 an hour—Obama’s desired minimum wage—and just plain awful for the 3.5 million who earned the federal minimum wage of \$7.25 or less.<sup>4</sup> Finally, let us not forget the 10 million “officially” out of work, which does not include those who simply gave up or retired out of necessity, nor incalculable numbers who are underemployed. As the *New York Times* economic writer Eduardo Porter recently suggested, it will be extremely difficult to determine the total cost to U.S. society as a

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consequence of the worst economic crisis since the 1930s.<sup>5</sup>

Through all of this the Left has failed to muster and sustain a mass movement in response to the crisis. The rise and fall of the Occupy movement attests to this. No matter what diehard supporters claim, its initial dazzle and force was equaled only by the stolid politics that helped to bring about its end. For sure Occupy left us with a powerful legacy, the meaning of who we are as the 99%, so let us embrace it to build anew. To that end, we might look to Occupy's brief history beyond Wall Street—that is, in the cities and towns where its initial energy was so keenly felt, and where it is likely that many of us have since embarked on new projects that carry the potential of a transitional and transformational politics. Such is the case in Greensboro, North Carolina, a mid-size Southern city known for its struggles for civil rights and socio-economic justice. It is here where the Occupy movement played a small but seminal role in what has become a fierce, grass-roots struggle for cooperative ownership in the African-American community.

Occupy Greensboro arose quickly and spontaneously from the ranks of longtime activists and has welcomed many youthful newcomers to political struggle. Within two weeks of the movement's birth on Wall Street, organizers in Greensboro pulled hundreds of residents—young and old; white, black, and Latino; straight and gay, middle and working class, the poor and the homeless—to its initial rally downtown.<sup>6</sup> At that moment, unemployment in the city stood at 11 percent and the poverty rate at 20 percent, official statistics that were woefully shy of the real numbers in both categories. In the weeks and months that followed, Occupiers held sizeable meetings in the cavernous, back room of a local bookstore situated in the middle of a working-class neighborhood, while a core group physically occupied a site in the middle of downtown. From thrice weekly General Assembly meetings emerged a host of committees and subcommittees that began addressing the city's most pressing problems; unemployment, foreclosures, economic development, local energy issues, misconduct by the Greensboro Police Department, gender and race, and others. Meetings were lively, and protests soon took place at the site of the greatest symbol of the 1% in Greensboro, the downtown branch of Bank of America. Committees compiled statistics and snapshots relating to growing inequality in the city. Thanks to a timely *New York Times* story, Occupiers learned that the richest 1% in Greensboro in 2011 earned an average of \$344,000, nowhere near the average of \$908,000 enjoyed by its counterparts in wealthier parts of America, but still hard to swallow given that the median household income in East Greensboro, where most of the city's African Americans reside, was \$21,617 (the federal poverty line for a family of four that year was \$22,350), about half that of predominantly white, middle-class households in West Greensboro (\$42,927).<sup>7</sup> Others tapped into the anger in various quarters over joblessness, housing, and a perceived "culture of corruption" in the Greensboro Police Department. All these discussions took place with full knowledge of a

pervasive racism in a city often held up as exemplary of the “New South.”

But for all its vitality and promise, the movement quickly fragmented, especially as some older, more experienced members tried unsuccessfully to urge their younger counterparts to recognize how objective conditions cried out for strategic and programmatic politics. Beyond the generational divide, socialists, communists, armchair Marxists, anarchists, liberal Democrats, and progressives of many stripes could not reach common ground. Indeed, the constant squabbling between older members over longstanding differences—at times reducible to sheer egoism or the attempt to settle old accounts in a new setting—only fueled contempt for some of the old guard by younger idealists who, in their unbridled optimism, defended spontaneity against all attempts to forge concrete political objectives, organization, and strategy. More significantly, the inability of Occupy Greensboro to attract and sustain participation from neighborhoods in East Greensboro, where longstanding sufferings were exacerbated by the recent downturn, but whose mistrust of white radicals seemed greater than ever, contributed to its undoing. Within a year, the movement had imploded. The whole experience did indeed illustrate what Marx meant when he wrote that “the tradition of all the dead generations weighs like a nightmare on the brain of the living.”<sup>8</sup>

Meanwhile, the city continues to experience hard times, though it is not always clear to the public thanks to the shallow and often self-serving efforts of local corporate media. No one muddies the waters more than the usual suspects of corporate and university hacks often given ample space in the local newspaper, the *News & Record*, to trumpet Greensboro’s “good news” moments of business success, while attempting to make sense of the city’s version of a “jobless recovery” whenever they can. The result is a dizzying ride of daily reporting and so-called analysis. For example, downtown commercial real estate was “red hot” in late summer of 2013, while home sales had risen 30 percent over the previous twelve months to an average price of \$174,000, not exactly lower-middle-class housing in Greensboro.<sup>9</sup> Then the housing market plummeted in January, which some of the local brain trust blamed on “mixed signals in the economy,” mainly a dismal job market in which many people just stopped looking for work.<sup>10</sup> There were also cheers when unemployment dropped from 8.6 percent in late summer to 7.2 percent in January, although a study by Harvard economist Lawrence Katz attributed the decrease almost wholly to North Carolina’s shrinking labor force rather than actual job growth.<sup>11</sup>

But official numbers mean little in this shadowy economy. No one knows for sure how many residents are underemployed, an ever-growing segment of the local population whose daily existence is indeed precarious and which helps to explain why the poverty rate remains fixed at 20 percent, unchanged since 2009.<sup>12</sup> In September, the *News & Record* reported that one third of the 95,480 living in the city and surrounding county (Guilford), who resided in areas designated as food insecure, had incomes too high to qualify for food

stamps (based on the \$23,550 poverty line for a family of four); and volunteer groups were finding it increasingly difficult to maintain the city's food banks.<sup>13</sup> Many of these working poor were being hired by local temp agencies, which were booming given a rising demand by local manufacturers for various types of skilled workers paid at rates that are sometimes half what workers used to get when they were permanent employees with good pay and benefits.<sup>14</sup> These are folks "lucky" to have a job but unlucky enough not to have the material necessities that carry the potential for a healthy and happy life. Meanwhile, as the working poor grow larger in number, the City Council prides itself on a two-year effort to allocate \$30 million in public funding to match a commitment from private donors for construction of a new performing arts center in downtown Greensboro.<sup>15</sup>

Through all of this, one aspect of Occupy Greensboro's work has proved seminal in efforts to create cooperative ownership in the local economy. Before Occupy dissipated, an economic development subcommittee had formed to examine several issues, including cooperatives. One subcommittee member, Ed Whitfield, a co-director of the Greensboro-based Fund for Democratic Communities (F4DC) with extensive knowledge about cooperatives, played a pivotal role. The other F4DC co-director, Marnie Thompson, participated in another Occupy subcommittee focusing on home foreclosures. The foreclosure subcommittee remained effective; not so the economic group. But some former members joined Whitfield and Thompson in F4DC's budding discussions with African-American community leaders in northeast Greensboro, who had struggled since the late 1990s to bring a grocery store to a dilapidated shopping center in their part of town. The shopping center, known as Bessemer Center, had become an empty shell after a Winn-Dixie supermarket left in 1998. Following its departure, the City of Greensboro bought the near-vacant facility in the hope of luring a buyer who would bring in a new grocer. But city leaders failed in their efforts, and the property became a visible sign of northeast Greensboro's seemingly irreversible decline. Whitfield and Thompson established ties with key northeast residents who together pressed the city to renew its search for a new grocer in the northeast, which by now had become one of seventeen food deserts in the city.<sup>16</sup>

In forging their relationship with two community groups, Concerned Citizens for Northeast Greensboro (CCNG) and Citizens for Environmental and Economic Justice (CEEJ), Whitfield and Thompson proposed a cooperatively owned grocery store in Bessemer Center that the city would renovate and then rent to the co-op with an agreement that the latter would eventually buy the space. Unlike a privately-owned chain grocer, a food co-op would benefit the community by (1) supplying affordable and nutritious groceries to residents who were among the most impoverished in the city and whose neighborhoods lay in one of the largest of the city's food deserts, and (2) build new wealth on the basis of cooperative ownership and democratic control in a community badly in need of capital formation but often left out of

the city's plans for economic development. Whitfield attended CCNG and CEEJ meetings to provide details and literature about the co-op grocery store concept; i.e. distributing copies of a "how to" manual for starting food co-ops prepared by the National Cooperative Grocers Association. He also made cogent presentations about differences between profit margins of private grocers and co-ops, the nutritious produce the latter could offer at substantially lower prices, and ways in which profits from the co-op could be reinvested in the community. Most importantly, F4DC's idea of community ownership and democratic control of neighborhood economic enterprise sparked discussions about how the community eventually could own the entire shopping center and turn profits into new investment capital for northeast Greensboro.

The concept quickly took root within a small but expanding group of citizens in the northeast quarter, as well as among energized and committed white middle- and working-class citizens who had long supported efforts to establish parity between the east and west sides of the city. Concerted moves were taken to involve City Council and key staff. Initially, community leaders in the northeast were heartened by the possibility that the long-awaited parity and fairness in economic development would be coming their way. Even the district representative on City Council, a developer named Jim Kee, seemed to throw his support to the effort, comparing it to a successful co-op grocery startup in the nearby city of Burlington.<sup>17</sup>

The significance of the whole process began to resonate among residents throughout the city. Here was a project with the potential as a model for other neighborhoods, i.e., in southwest Greensboro with its concentration of working-class whites and Latinos (now almost 8 percent of the city's population) and where poverty and food insecurity were on the rise. By summer 2012, F4DC staff and residents had created a standing committee, which soon after formally established itself as the Renaissance Community Coop (RCC). Simultaneously, a few other former Occupiers had begun meeting with sympathetic members of City Council to discuss the need for a "new economy" in Greensboro that would utilize public funding, i.e., a bond referendum, to support new, locally owned businesses, including cooperatives. National economic recovery, they argued, would not come from corporate America or further federal government stimulus; instead, each city would have to make its own way to build a twenty-first-century economy.<sup>18</sup> In so doing, the public sector would play a vital role in creating economic development that would target real needs in the city's most vulnerable areas and, in the case of Bessemer Center, a democratically owned cooperative that merged class and race interests.

By spring 2013, the community effort was in full swing and actively seeking support from the city. Representatives of CEEJ and F4DC went before City Council to ask the city to retain ownership of the shopping center, now renamed Renaissance Center, to pay for its renovation, and to provide assistance to the

fledgling co-op. Proponents asked Council to guarantee RCC the ability to lease the building for twenty-five years at below-market-rate rent, a \$600,000 loan, and a \$100,000 grant for start-up. This would support the \$700,000 loan that a credit union, Self-Help, had approved based on several contingencies, one of them that the co-op be given first shot at buying the whole shopping center.<sup>19</sup> Moreover, the credit union agreement fueled an initiative in one of the community organizations, CEEJ, to form a community non-profit that would eventually would purchase the shopping center by means of a 501(c)3 Community Land Trust.<sup>20</sup>

The growing possibility of RCC establishing itself as an anchor tenant in a revitalized city-owned shopping center also helped to fuel another key project developing in the northeast. After several years of trying, a partnership had formed between the city, North Carolina Agricultural and Technical State University, and a nonprofit in the northeast to launch a four acre community garden on city-owned land less than a mile from Renaissance Center. The initiative came from Terrence Thomas, a professor in A&T's School of Agriculture and Environmental Sciences, who had secured a startup grant from the U.S. Department of Agriculture. As project leader, Thomas also began developing a plan for the eventual transfer of the garden to a cooperatively owned enterprise to permanently supply fresh and nutritious produce to the community directly and the co-op below the usual retail prices.<sup>21</sup> Some in the northeast began to see the merit of the two projects coming together, both aimed at solving the problem of food insecurity in the northeast.

However, there were serious challenges along the way. Private interest, lust for profit, deception and manipulation, mistrust from longstanding racial divisions in the city, ignorance about cooperative ownership—all factored into the political struggle about who should own the shopping center and whether the RCC was a viable tenant. The City Council quickly split on the issue. Some members saw the merit of the RCC and were willing to explore ways whereby the city would renovate the shopping center, find someone to manage it, support the co-op's desire for tenancy, and consider how the community might eventually own the whole thing. But a slim majority began pushing for its sale to a development group called Renaissance Center of Greensboro (RCG) represented by Melvin "Skip" Alston, a high-profile black entrepreneur and former chair of the Guilford County Commissioners. For this faction, which included the white mayor and mayor pro tem, a black woman who was formerly the city's first black mayor, pragmatism was the bottom line. The city, they argued, should not be in the shopping center business, though they conveniently ignored other projects where the city had retained ownership to ensure success. Moreover, they justified their position by arguing that the responsibility for economic recovery in Greensboro lay with private enterprise, not local government.

The black community also became increasingly divided over which group to support, a division fueled by Alston's attempt to bully CEEJ with the help

of Kee, the city councilman from the northeast who cunningly switched sides by voicing objections about the drag on the city's tax roll for its continued ownership of the facility and his doubts about a cooperatively owned grocery store. Consequently, Kee steered the leadership of the other black community group, CCNG, toward Alston and his developers, the latter whose businesses in East Greensboro included convenience stores that sold limited staples and lots of junk food at high prices. The result was a series of tumultuous community and City Council meetings that polarized the black community, one group backing a petty-capitalist entrepreneur who claimed to represent the interests of his community, and the other which promoted the alternative of cooperative ownership in the northeast. To further obfuscate the truth about cooperative ownership and its potential multipliers, supporters of the Alston group expressed concerns that white people in the opposing camp were trying to tell blacks what to do in their community. In the process, they abruptly changed course in their longstanding demands that the city turn its resources and capital investment toward East Greensboro, which was usually supported by whites, to declarations of self-help.

Such was the political context of City Council's five-four vote on June 4 to begin negotiations to sell the shopping center to the Alston group (RCG) for \$490,000, and also provide a \$2 million forgivable loan to RCG to renovate the plaza. To reward residents who supported RCG, Kee engineered a provision of the deal that required it to transfer 43 percent of the available space to a community non-profit which, in turn, would lease part of that space to the co-op.<sup>22</sup> But the agreement quickly unraveled as City Council became sensitive to rising criticism from a cross-section of northeast residents who were angry over Alston's motives and RCG's intended use of the \$2 million loan. The boiling point came in a July 30 community meeting when Alston was shouted down for being more interested in profit than people because RCG had no plans to use any of the \$2 million to renovate the non-profit's space.<sup>23</sup> Moreover, council members soon confirmed that RCG would not hold to its June 4 agreement to spend \$2 million of its own money on renovations. When RCG refused to meet new conditions imposed by the city and backed out of the deal in late September, the whole process opened up once again.

By then, a new plan consistent with the initial objective of a revitalized shopping center in the service of legitimate community needs was taking hold among residents and City Council. On February 19, 2014, the Council voted unanimously to enter into negotiations with the Self-Help Venture Fund, a non-profit community development financial institution based in Durham, NC, with a solid history of helping minorities and low-income people buy homes and build businesses. At the time of this writing, both parties are working out a deal whereby the city will sell the shopping center to Self-Help, which will do the renovations and then lease space with \$2 million from the city.<sup>24</sup> Self-Help has made it clear that the RCC will be an anchor tenant. It has also created an advisory board of residents who will participate in the

design of the shopping center and help to choose other tenants. Meanwhile, RCC continues to build its own organization, membership, and funding; its newly created board promises that the co-op will be ready for business when renovations to the shopping center are completed, perhaps before the end of the year. Even better, the joint effort to launch the nearby community garden project is also moving forward.

As a result of all these developments, the effort to build cooperative ownership in Greensboro is underway. No doubt, the material conditions that fuel the need and political will for democratic control of wealth through neighborhood cooperatives of all kinds—grocery stores, urban agriculture, daycare centers, automotive repairs, and others—will only worsen. Then, too, efforts to satisfy the city's wealthy and privileged elites, such as the Council's decision to provide \$30 million of public funding for a new downtown performing arts center—on top of \$11.5 million to purchase the land, as well as the cost of its upkeep and operation for years to come—to the \$35 million pledged by the private sector, will only serve to widen the gap between rich and poor. According to a recent study by Stanford University researchers Sean F. Reardon and Kendra Bischoff, the middle class in the Greensboro-High Point metro area declined from more than half of the population to about 45 percent during the last decade. At the same time, the proportion of families living in either poor or affluent areas surged from 15.2 to 32.2 percent. No metro area saw a more dramatic increase in the proportion of families living in either poor or affluent areas.<sup>25</sup>

Given these conditions, cooperative ownership in East Greensboro will bring relief to neighborhoods denied the prosperity of past times and now suffering the worst of the current economic crisis. In immediate terms, it will bring sustenance to a food desert and give some people employment in the co-op and shopping center. But its multiplier carries greater potential. The capacity to turn profit into social capital formation by reinvesting in other cooperative enterprises will be determined by the ability of the community to grasp the seminal importance of community ownership as the essence of participatory democracy. In that sense, the resurrection of the old Bessemer Center will indeed mark a renaissance fitting of its new name.

And yet such an outcome would be better understood not as a rebirthing, but rather a new beginning bearing the enduring communitarian instincts of a long-suffering community into a new day. Of course, it will be a tough road. Already, proponents of cooperative ownership have faced opposition from an entrenched power structure that has the ability to turn supporters in local government and ruling circles into opponents in an instant. Secondly, capital of any color always has the edge when it comes to making arguments about the virtues of private enterprise simply because it is perceived as the only alternative. Then there is the ever present dynamic of race, which often tears at any agreement between well-intentioned people.

Indeed, something quite significant did emerge from Occupy Greensboro



and not only with respect to this initiative. In retrospect, we can see that the failure of a movement focused on Wall Street enabled us to criticize our own, local financial houses and, as a consequence, led some of us to its antithesis, cooperative ownership. If the whole movement had recognized the political will to organize and plot concrete, uniform actions in New York and elsewhere, we might be further along in building a viable left movement on the national level. But while that did not happen, the main political message of Occupy resonated deeply through cities and towns. We took up the task of building it here in Greensboro and failed—only to find acorns that might one day be oaks.

Here is a sign toward a transitional economy that is fundamentally democratic and potentially socialist. "Truth," the young Karl Marx wrote, "includes not only the result but the path to it."<sup>26</sup> What is happening in Greensboro today, and likely in the immediate future, cannot be considered socialist in the strictest sense. But it is surprising and surely heartening to hear citizens remark that capitalism isn't working and, indeed, will never work. I am also reminded what a longtime black resident told me years ago when I first came to Greensboro in the aftermath of the November 3, 1979, murders of five members of the Communist Workers Party by a group of Klansmen and Nazis. Black people, he said, don't need to be told what socialism is all about. Hell, we've been practicing it for a long time. How do you think we survived without money and means?

Perhaps we might connect this to what Marx himself said about cooperatives in the Inaugural Address to the International Workingmen's Association in 1864. More important than the historic achievement of the Ten Hours' Bill as the great "victory of a principle...the first time that in broad daylight the political economy of the middle class succumbed to the political economy of the working class," was "a still greater victory of the political economy of labor over the political economy of property," the cooperative movement in English factories. Marx continued:

The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the class of masters employing a few hands, that to bear fruit, the means of labour need not be monopolized as a means of dominion over, and extortion against, the laboring man himself, and that, like slave labor, like serf labor, hired labor is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart.<sup>27</sup>

Marx quickly added that the experience of the period between 1848 and 1864 "had proved beyond doubt that, however excellent in principle, and however useful in practice, co-operative labor, if kept within the narrow circle of the causal efforts of private workmen, will never be able to arrest the growth

## CRISIS, RECOVERY, AND THE TRANSITIONAL ECONOMY

in geometric progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their masters."

For Marx, the cooperative movement was one very important step toward the "great duty of the working class," the conquest of political power.<sup>28</sup>

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Commentary from

**Monthly Review**

May 2014, Vol. 66, No. 1

***An Independent Socialist Magazine Founded in 1949***

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*Monthly Review* celebrates its sixty-fifth anniversary with this issue. Today the causes for which the magazine has stood throughout its history—the struggle against capitalism and imperialism and the battle for socialism as the only alternative path—are more pressing than ever. Indeed, so great is the epochal crisis of our time, encompassing both the economic and ecological crises, that nothing but a world revolution is likely to save humanity (and countless others among the earth's species) from a worsening series of catastrophes.

This may seem like a shocking statement; ironically, not so much because of its invocation of the visible threat to humanity's existence, but rather because of its reference to revolution as the only solution. Would it not be better, one might ask, to concede to the conventional wisdom and call instead for a global reform movement, as far less frightening in its implications than outright revolution? Here we cannot do better than quote from the great artist, writer, and socialist, William Morris:

The word Revolution, which we Socialists are so often forced to use, has a terrible sound in most people's ears, even when we have explained to them that it does not necessarily mean a change accompanied by riot and all kinds of violence, and cannot mean a change made mechanically and in the teeth of opinion by a group of men who have somehow managed to seize on the executive power for the moment. Even when we explain that we use the word revolution in its etymological sense, and mean by it a change in the basis of society, people are scared at the idea of such a vast change, and beg that you will speak of reform and not revolution. As, however, we Socialists do not at all mean by our word revolution what these worthy people mean by their word reform, I can't help thinking that it would be a mistake to use it, whatever projects we might conceal behind its harmless envelope. So we will stick to our word, which means a change

## COMMENTARY

of the basis of society; it may frighten people, but it will at least warn them that there is something to be frightened about, which will be no less dangerous for being ignored; and also it may encourage some people, and will mean to them at least not a fear, but a hope ("How We Live and How We Might Live," *Signs of Change* [1888]).

To advocate for revolution in the above sense, not as a fear but as a hope, obviously does not mean a rejection altogether of the process of legal reform, but rather the abandonment of the usual limited, non-starting, counterproductive reforms, offered up by the system, which are meant to close off the future and to defend the existing order, making real change impossible: what in socialist theory is known as *reformism*. All actions initiated by popular forces today should rather be aimed at "a change in the basis of society." Revolution, as Rosa Luxemburg observed, is distinguished from reform not so much in representing a different *method* of change, or in occurring over a different duration, but rather in its constituting a distinguishing *moment* of the struggle. ("Social Reform or Revolution," in *The Rosa Luxemburg Reader* [Monthly Review Press, 2004], 155–60.)

Such a strategy of social transformation representing a distinct *moment* of struggle is imbedded in the Review of the Month by Fred Magdoff and John Bellamy Foster in this issue of *MR*, which closes with a discussion of feasible actions that could reasonably be advanced today—if we were to treat our most urgent social and human problems as our *highest priorities*, disconnected from the logic of capital accumulation. Similarly, in *What Every Environmentalist Needs to Know About Capitalism* (Monthly Review Press, 2011) written by the same authors, a two-stage strategy of ecological revolution was outlined—the first consisting of what realistically could be attempted now, if conformity to the rules of the system were not seen as the primary constraint on action; the second addressing the far greater transformations that would need to be carried out over the long-term to create a society of substantive equality and ecological sustainability, i.e., socialism.

Real revolutionary transformations will emerge most readily today, as has been the case for more than a century, out of struggles in the periphery of the capitalist system, where the material conditions that people must confront are more severe due to centuries of imperialist exploitation—compounded now by the fact that climate change is hitting the global South the hardest.

In contrast, within the United States, at the very center of the world empire, the obstacles to the emergence of a powerful movement for revolutionary change are in many ways more formidable. Here the working class has historically been divided off from itself and from most of the rest of the globe by the legacy of centuries of chattel slavery, and by a world-imperialist role growing out of an earlier history of colonial expansion, consummated by global hegemony and multinational-corporate domination

after the Second World War. Nevertheless, here too the way forward is clear. What is needed is the rebuilding of the labor movement on an anti-capitalist, internationalist basis; the militant resurgence of all of the new social movements of the 1960s (particularly the radical struggles for race and gender equality and gay rights); and the transformation of the environmental movement into a powerful ecosocialist resistance. None of this is conceivable of course without a drive for democratic control over the cultural apparatus (communications and education). Moreover, due to its strategic presence within “fortress America” at the epicenter of the imperialist world system, the U.S. left is uniquely charged with making the struggle against imperialism and war the *very substance* of the movement.

Where *MR* itself is concerned, we are proud to affirm today, sixty-five years after the creation of the magazine, that we stand for the same revolutionary aspirations for which we have stood from the very beginning. As Albert Einstein stated in the very first issue of the magazine: “I am convinced there is only one way to eliminate these grave evils [of capitalism], namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals.... Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service” (“Why Socialism?,” *Monthly Review* 1, no. 1 [May 1949]: 14–15).

Adolph Reed’s important, if controversial, article, “Nothing Left,” in the March 2014 issue of *Harper’s*, lamented the decline of an earlier dynamic left in the United States centered on a militant labor movement and the New Deal coalition. We were therefore pleased that on the first page of his article he singled out *Monthly Review* as one of a very few holdouts amongst publications in the rightward shift of a U.S. left that has ceased to be “left”—that is, has largely severed itself from working-class struggles. Reed concludes his article by arguing that “labor may be weak or in decline, but that means aiding in its rebuilding is the most serious task for the American left.”

We agree. And we would like to add that on the front line of this struggle today are K–12 educational workers who are engaging in strikes and various forms of resistance across the country against the privatization of the public school system. Precisely because teachers, supported by parents and community members, are now fighting not just for their jobs, but also for children, society, and community, they constitute, in our view, the heart of a new social unionism both in the United States and in many other countries. We encourage *MR* readers to get involved in various ways in this struggle, which is now taking the form of a united opt out from testing movement. See <http://unitedoptout.com>.



# In Shared Sorrow: Remembering 'Comrade' Nirmal da

Bernard D'Mello

Nirmal Kumar Chandra (1936-2014), referred to by his dear friend, Ashok Mitra, in *The Telegraph* (April 4, 2014) as "The Compleat Economist", was in AM's words, one of India's "very best economists". But the ruling economics establishment couldn't have cared less. It must have detested the works he produced, for Nirmal da – that is what we affectionately called him – was, alongside Amit Bhaduri, Krishna Bharadwaj and Prabhat Patnaik, one of this country's leading radical economists. The scholarly paths he charted were concerned with (political-economic) aspects of post-revolutionary societies, the Soviet Union and China, in particular; agriculture and the peasant question; and "retarded economies" like India, those with "organic and structural impediments" to their "'normal' growth" as a result of "the link between foreign domination and the balance of class forces inside the country".

It will be foolhardy on my part if I were to even try to cover the depth and range of Nirmal da's scholarship, but for those of you who would like to get a feel of what all of Nirmal da's scholarly works add up to, a reliable guide is the account by Amiya K Bagchi in the *Economic & Political Weekly* (EPW, May 10, 2014). I would, of course, caution, and I'm sure Amiya da would be the first one to concur, that the brilliance of Nirmal da's work can only be grasped by an original reading of it.

Upon completing his undergraduate studies in economics at Kolkata's Presidency College, Nirmal da undertook graduate and doctoral studies at the London School of Economics. Such studies and researches took him a decade in Europe, mainly in England, France and Poland – he even joined the CPGB and the PCF (Parti Communiste Français) – before he headed back home to Kolkata where he got a job at the Indian Institute of Management, Calcutta (IIMC), and in a way, continued to work out of there to the very end.

There's a story behind my coming to IIMC to undertake post-graduate and doctoral studies under the supervision of Professor Nirmal Chandra. The *EPW* of October 27, 1979 contained a review article entitled

"Political Economy of India" by one N K Chandra. I was then working as a metallurgical engineer in Jamshedpur in Bihar, and here was an essay, based on Tarimela Nagi Reddy's *India Mortgaged*, that in very clear and simple terms posed the right questions – about whether India was on the way to industrialisation, the country's massive poverty, the hold of foreign capital, dependence on imported technology, Soviet collaboration and Indo-Soviet relations, how Indian the Indian bourgeoisie was, the latter's expansionist tendencies, and, of course, agrarian relations, and the "white terror" let loose against the Naxalite movement. I then had an impression of Indian academics, even of those on the left, as politically and socially conservative persons, but here I found someone who was actually a radical!

As it was to turn out, for once, I was absolutely on the dot. I came to IIMC in 1980 seeking professor Chandra's intellectual guidance, and with a lag that involved getting to know each other, I got not only all of that in abundance, but also, later on, his political advice, and, I will never forget this – I have been a beneficiary, among others, of the warmth of Nirmal da's character – personal affection.

In times of personal crisis – and I have been through hell in the worst of Indian academic institutions, dominated as they are by reactionary rightwing, Brahminical academic heads with their "Aryan" superior manner *vis-à-vis* the so-called lower castes and dalits – whenever I was in the doldrums, Nirmal da was always a solid reservoir of support with his advice, his friendship. I remember once, when I was particularly downcast, having been thrown out of my job and with the management of the academic institute where I worked directing security personnel to evict me from campus, I travelled far and came to find solace in Nirmal da. But I found him closeted in his study that day, passionately working at one of his papers, and he told me to come back at 7 in the evening, whereupon he took me to Park Street for a drink, and "with his quiet reservoir of affection", "magically" revived my "distressed soul".

Sure the IIMC "took in bright young men and women and trained them in the obscene art of making money", but even these managers-in-the-making admired the great teacher in Professor Chandra. He began the first-year, third-semester course on the Indian economy by tracing the roots of underdevelopment, moving from the orthodox view to the radical. For him, the breakaway from imperialism and the doing away with semi-feudalism were the preconditions of development. I got one of the clearest expositions of the differentiations of capitalism from feudalism in these lectures, accompanied by an introduction to the Dobb-Sweezy-Takahashi transition debate. And then, of course, the industrialisation lectures, where

## In Shared Sorrow: Remembering 'Comrade' Nirmal da

Even Walter Rodney's *How Europe Underdeveloped Africa* and Lockwood & Nakamura on Japanese development were brought in. Data and the handling of data were particularly given their due.

Why, one might ask, did those managers-in-the-making not only sit through all of this, but got glued into all of it? Well, here was one of the few teachers we had who loved to be questioned; in fact, he seemed to demand it. Scepticism and the ability to think independently, bringing in information and data, even those bits that contradicted the propositions one is arguing for, these are what make for critical inquiry. What we were learning too were ways of reasoning, being exposed to alternative views we "engineers" had never come across in our IIT-REC undergraduate education.

I remember Nirmal da's elective course on "Transnational Corporations and the World Economy" where I was not only introduced to the large database that the UN Centre on Transnational Corporations was putting together, but also how Vladimir Lenin and Rosa Luxemburg viewed imperialism, and when I was attracted to the latter, Nirmal da suggested that I read J P Netti's moving biography of Rosa. Today when monopoly capital intrudes into the tribal areas of central and eastern India, and this aspect of India's capitalist development is so increasingly violent and catastrophic, with the Indian state engaged in a war against its own people, I cannot but remember Rosa Luxemburg's *The Accumulation of Capital* for her passionate account of the nature and modus operandi of capitalist imperialism, and, of course, what it all stems from. And, I have Nirmal da to thank for introducing such a perspective to me.

I don't intend to discuss Nirmal da's researches, but his "The Peasant Question from Marx to Lenin: The Russian Experience" (*EPW*, May 18, 2002) comes to mind. The teacher in him is apparent here too, for instance, in his clear articulation of "the peasant question" right in the beginning: "How can the mass of peasantry be drawn into a revolutionary movement spearheaded by the socialists, representing above all the proletariat?" And he goes on: "The difficulty, at bottom, stems from the fact ... that the peasant possesses 'two souls', one of the proprietor, and the other of a worker." What immediately came to mind as I read this in the summer of 2002 was another difficulty, this in the Indian context. Here is a combination of the proprietor and the worker – the peasant – is beset with caste consciousness, which drives him/her to strive to give up the use of family labour in tilling the soil and in other manual tasks. How then will the Indian peasant, even the poor and middle one, develop solidarity with the landless labourer, who, moreover, is most-probably a



dalit? Indeed, in the Indian case, the institution of caste impedes class solidarity and class consciousness, and as far as the rich peasant goes, it induces him to behave like the landlord does.

Nirmal da's papers always provoked serious thought. Now when I get back to his "Monopoly Capital, Private Corporate Sector and the Indian Economy, 1931-76" (*EPW*, Special Number, August 1979), and reflect over what he found, that "monopoly capital in India is a very different species from its counterpart in the west", that "monopoly capital in India bears a closer family resemblance to pre-industrial monopolies than to contemporary monopoly capitalism in the west", I wonder what he might have thought more recently about this phenomenon, that is, after Indian monopoly capital has been exposed to two decades of constant pressures from foreign institutional investors, this in the presence of competition from and collaboration with transnational corporations, and competition from imports.

Nirmal da often frankly admitted that economics was not a science; the influence of ideology was overwhelming, and yet, he was thoroughly imbued with the values of science. I remember in the early 1990s when the debate over the Dunkel Draft of GATT's Uruguay Round was at its peak, the Director of the IIT where I worked asked me to suggest a speaker for an institute-level lecture on the implications of the Dunkel proposals for India, and I suggested Nirmal Chandra's name. Nirmal da was really outstanding, for he focussed quite a bit on the implications as regards the likely negative impact on indigenous technological development, discussing the C-DOT and C-DAC cases, and the development of indigenous technological capability in the pharmaceutical industry post the 1970 Indian Patents Act, and the likely impact the Uruguay Round of the GATT might have on these technological successes.

It was a well-attended lecture and the student response was overwhelming – they posed so many questions and Nirmal da dealt with each of those queries, in turn, with more information and data. The Director, a representative of the Establishment, then got up and admonished Nirmal da: "You are *not* a scientist. If only I had the time I could demolish each and every argument of yours." Nirmal da just smiled, and then turned to the audience and said: "Any more questions?" to which more students came to the dais and posed ever more questions, and he, in

turn, dealt with them. Nirmal da never claimed the status of science for economics, and yet, his practice of economics was scientific to the core.

I think I've said enough, and I'd like to end with this touching note I got from my friend Rajashri Dasgupta the day after Nirmal da passed away:

"Dear Bernard,

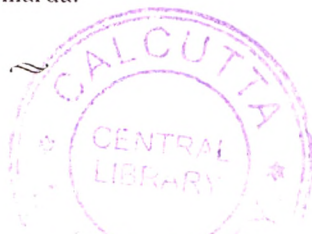
You must have heard that Nirmal da is no more. He passed away yesterday [March 19] a little after 6 pm after his fight with cancer. He died peacefully after suffering the last few days. There were days when we would sit by his bedside quietly holding his hand as he slept; suddenly he would open his eyes and give one of those heart-stopping charming smiles and ask, "When did you come?" Then off he would doze off.

We are yet to fully grasp his loss; though we knew intellectually he was sinking, reality is even tougher to accept. The fact that there will be addas – but without Nirmal da – is chilling. He was there at his argumentative best in our house, always keenly listening to others and then making his point cogently and sharply. He allowed non-fellow academics like me to challenge him, unlike many great academics! – And never patronised or was impatient when I asked him to explain so so so many things. He in fact indulged me all the time... I am so grateful because I learnt the most. He loved life and enjoyed himself. His last holiday with us in Cambodia was such fun and he climbed those high temple stairs and drank us out, sitting on roadside stalls ordering the choicest pork.

I know you were very fond of him; we are all together in remembering him. Take care, Bernard, just feel sad that there is one person less to love us the way Nirmal da did.

Rajashri"

I just want to add how grateful we are that Nirmal da had someone like Ruma di (Dr Sharmila Chandra, Nirmal's wife) to care for him, to be so concerned about him. I didn't get to say goodbye to Nirmal da, so let me do so over here. Farewell, 'Comrade' Nirmal da.



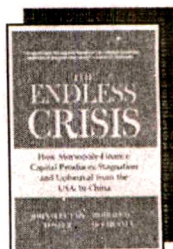


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ISBN: 978-81-88401-31-4 , X + 227 pp, ₹150.00

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West Bengal, India  
e-mail: [cornerstone\\_pub@sancharnet.in](mailto:cornerstone_pub@sancharnet.in)

Printed, published and owned by Subhas Aikat and printed at New Rainbow Laminations,  
31 A, Patuatola Lane, Kolkata-700009 and published at Cornerstone Publications,  
Ramesh Dutta Sarani, P.O. Hijli Co-operative, KHARAGPUR-721306, Paschim  
Medinipur, West Bengal.

Editor: Subhas Aikat